

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2019



Hoffman, Philipp, & Knutson, PLLC

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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GREENBUSH, MINNESOTA**

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INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2019**

<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	Councilmember	December 31, 2024
Appointed		
Anita Locken	Clerk/Treasurer	Indefinite

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenbush's basic financial statements. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented for the purposes of additional analysis and are 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and other schedules sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, 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
March 3, 2020



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, 2019. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$2,213,833, of which \$1,108,756 is the net investment in capital assets, \$19,533 is restricted for economic development and public safety, and \$1,085,544 is unrestricted. The total net position of governmental activities increased \$107,765 for the year ended December 31, 2019. This is attributed primarily to a reduction in the amount reported for net pension liability.

The total net position of business-type activities is \$4,233,132, of which \$3,256,622 is the net investment in capital assets, \$18,000 is restricted for the Water Replacement Infrastructure Fund (WIF), and \$958,510 is unrestricted. The total net position of business-type activities increased \$547,497 in 2019, as a result of grants received for the 2019 water project.

At the close of 2019, the City's governmental funds reported combined ending fund balances of \$871,457, an increase of \$150,870 from the prior year. Of the total fund balance amount, \$19,533 is legally or contractually restricted, \$45,434 is formally committed to community improvements, \$544,440 is noted as the assigned fund balance, and \$262,050 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.

244 Main Street N
PO Box 98
Greenbush, MN 56726

Phone: 218-782-2570
Fax: 218-782-2146
Email: greenbush@wiktel.com



Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the RBEG Revolving Loan Special Revenue Fund, both of which are considered to be 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 and the RBEG Revolving Loan Special Revenue Fund. The City also adopts a budget for its nonmajor Fire Department Special Revenue Fund and the Fire Department Special Project/Equipment Special Revenue Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds The City of Greenbush maintains three proprietary funds. 1) The Sanitation Enterprise Fund is used to account for the operations of the garbage collection system. 2) The Sewer 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, and a schedule of intergovernmental revenue.

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 \$6,446,965 at the close of 2019. The largest portion of the City’s net position (approximately 67 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately one percent of the City’s net position is restricted for specific purposes and 32 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$2,044,054 as of December 31, 2019, may be used to meet the City’s ongoing obligations to citizens.

The City’s overall financial position increased from last year. Total assets increased by \$578,118, and deferred outflows of resources decreased \$2,015 from the prior year, primarily due to the addition of infrastructure from the 2019 water project. Total liabilities decreased \$52,833 from the prior year, and deferred inflows of resources decreased \$26,326, due to debt payments made which reduced liability, and decreased net pension liability. This resulted in an increased net position of \$655,262 from the prior year.

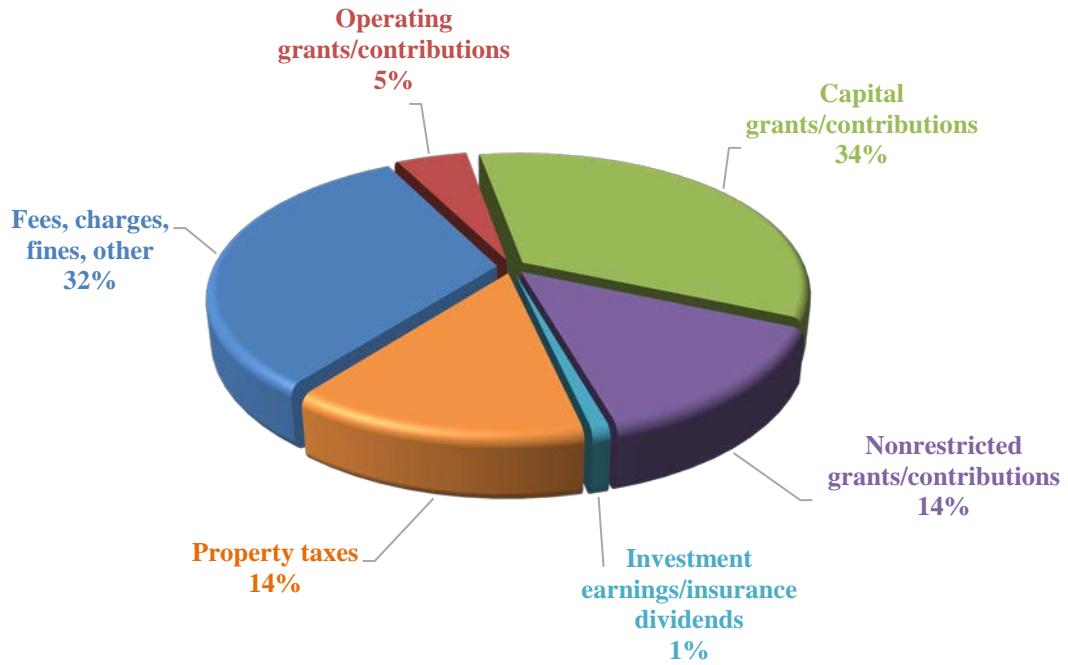
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,186,971	\$ 1,098,824	\$ 1,021,390	\$ 858,605	\$ 2,208,361	\$ 1,957,429
Capital assets	1,254,490	1,305,697	5,712,926	5,334,533	6,967,416	6,640,230
Total assets	\$ 2,441,461	\$ 2,404,521	\$ 6,734,316	\$ 6,193,138	\$ 9,175,777	\$ 8,597,659
Deferred outflows - pensions	\$ 26,361	\$ 22,592	\$ 4,848	\$ 10,632	\$ 31,209	\$ 33,224
Other liabilities	\$ 40,707	\$ 24,829	\$ 162,705	\$ 9,432	\$ 203,412	\$ 34,261
Long-term liabilities outstanding	183,351	240,541	2,330,765	2,495,559	2,514,116	2,736,100
Total liabilities	\$ 224,058	\$ 265,370	\$ 2,493,470	\$ 2,504,991	\$ 2,717,528	\$ 2,770,361
Deferred inflows - pensions	\$ 29,931	\$ 55,675	\$ 12,562	\$ 13,144	\$ 42,493	\$ 68,819
Net position						
Net Investment in capital assets	\$ 1,108,756	\$ 1,152,847	\$ 3,256,622	\$ 2,876,256	\$ 4,365,378	\$ 4,029,103
Restricted	19,533	9,412	18,000	9,000	37,533	18,412
Unrestricted	1,085,544	943,809	958,510	800,379	2,044,054	1,744,188
Total net position	\$ 2,213,833	\$ 2,106,068	\$ 4,233,132	\$ 3,685,635	\$ 6,446,965	\$ 5,791,703

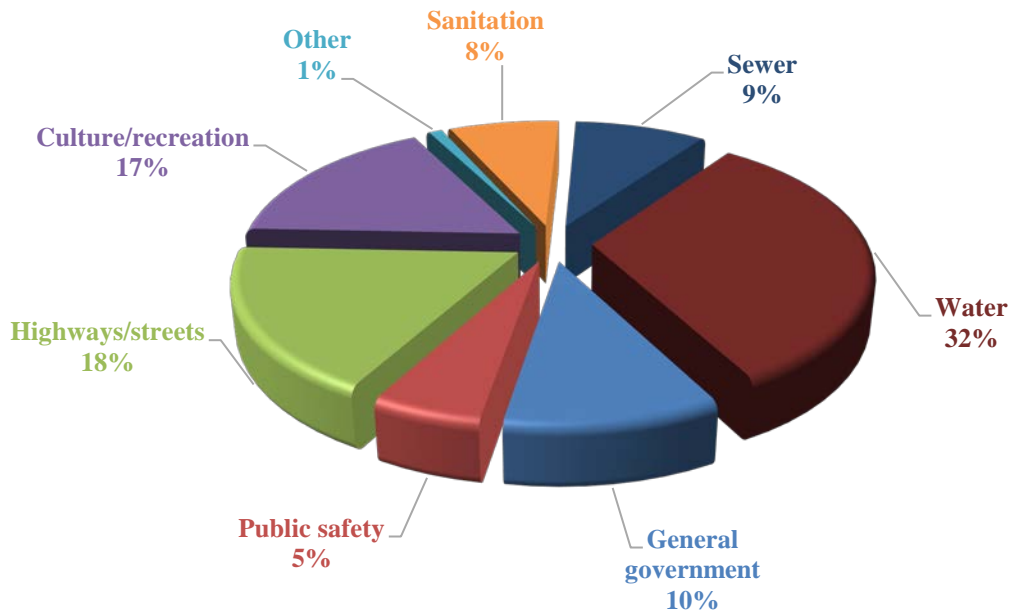
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 145,245	\$ 165,377	\$ 458,925	\$ 439,258	\$ 604,170	\$ 604,635
Operating grants and contributions	90,090	71,304	-	-	90,090	71,304
Capital grants and contributions	-	94,303	649,112	913,003	649,112	1,007,306
General Revenues and Transfers						
Property taxes	267,264	268,251	-	-	267,264	268,251
Payments in lieu of tax	-	1,943	-	-	-	1,943
Grants and contributions not restricted to specific programs	265,669	271,857	-	-	265,669	271,857
Investment earnings	9,246	4,557	6,343	3,682	15,589	8,239
Insurance dividends	935	997	-	-	935	997
Transfers	(20,000)	(20,000)	20,000	20,000	-	-
Total revenues	\$ 758,449	\$ 858,589	\$ 1,134,380	\$ 1,375,943	\$ 1,892,829	\$ 2,234,532
Expenses						
General government	\$ 125,526	\$ 150,069	\$ -	\$ -	\$ 125,526	\$ 150,069
Public safety	103,901	98,146	-	-	103,901	98,146
Highways and streets	210,394	268,679	-	-	210,394	268,679
Culture and recreation	199,962	208,989	-	-	199,962	208,989
Conservation of natural resources	236	236	-	-	236	236
Economic development	5,408	26,471	-	-	5,408	26,471
Interest	5,257	1,376	-	-	5,257	1,376
Sanitation	-	-	90,919	85,785	90,919	85,785
Sewer	-	-	108,425	103,900	108,425	103,900
Water	-	-	387,539	229,931	387,539	229,931
Total expenses	\$ 650,684	\$ 753,966	\$ 586,883	\$ 419,616	\$ 1,237,567	\$ 1,173,582
Increase (decrease) in net position	\$ 107,765	\$ 104,623	\$ 547,497	\$ 956,327	\$ 655,262	\$ 1,060,950
Net position, January 1	2,106,068	2,001,445	3,685,635	2,729,308	5,791,703	4,730,753
Net position, December 31	\$ 2,213,833	\$ 2,106,068	\$ 4,233,132	\$ 3,685,635	\$ 6,446,965	\$ 5,791,703

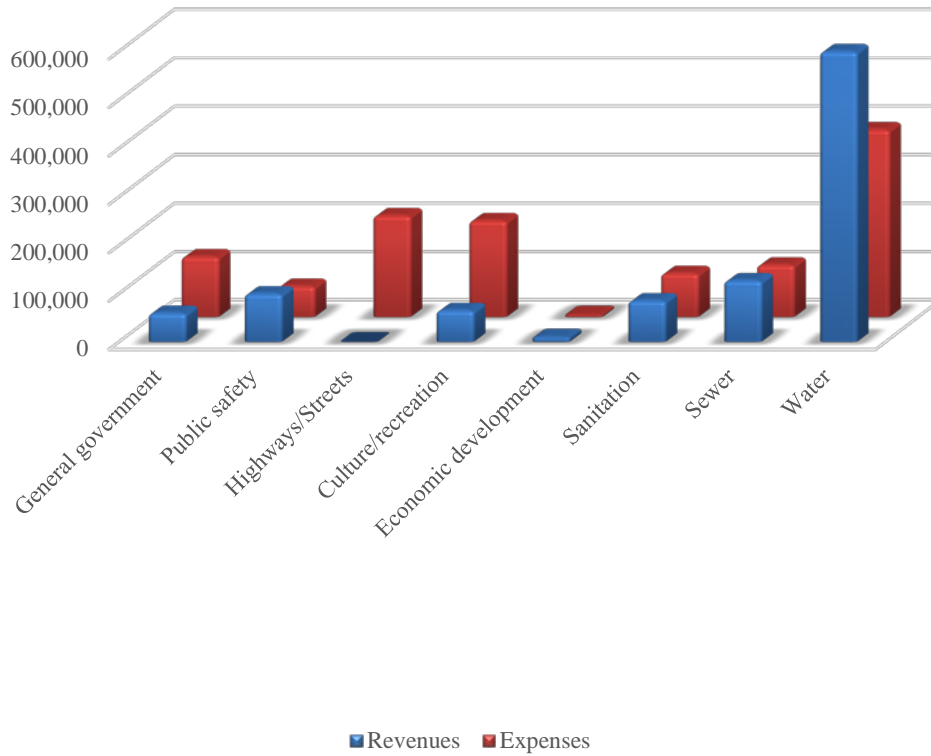
Revenues by Source



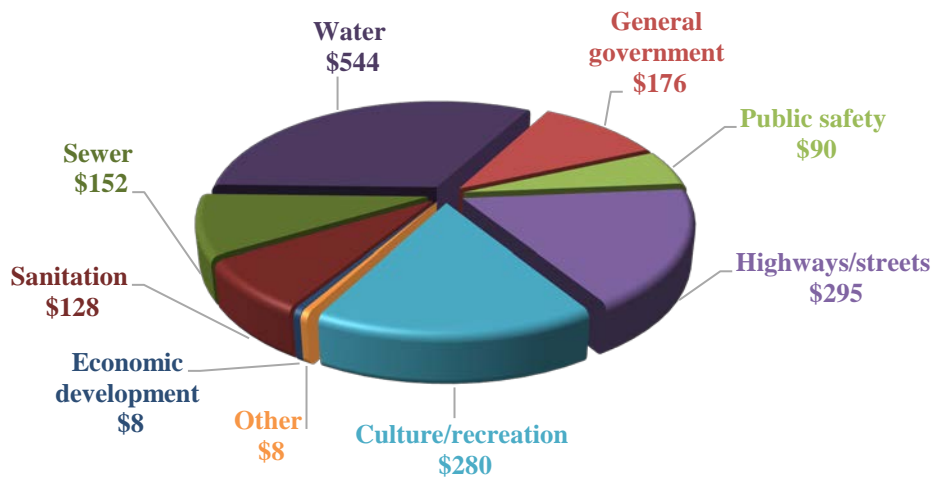
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 713 Population as of 2019



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 2019, the City's governmental funds reported combined ending fund balances of \$871,457. Of this amount, approximately 2 percent constitutes legally or contractually restricted fund balance, 5 percent constitutes formally committed fund balance, 63 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 \$552,741. The General Fund's restricted fund balance was \$7,380, there was no committed fund balance, \$283,311 assigned fund balance, and unassigned fund balance was \$262,050. 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 2019. Unrestricted fund balance represents 98 percent of total General Fund expenditures, while total fund balance represents 99 percent of that same amount.

In 2019, the fund balance amount in the General Fund increased by \$91,739. The primary reason for this increase was expenditures under budget.

The fund balance of the RBEG Revolving Loan Special Revenue Fund increased in 2019 by \$7,345, due to payments received on outstanding loans.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating loss in 2019 of \$5,445, indicating that it is not collecting fees for services at a rate consistent with the costs.

The Sewer Enterprise Fund reported an operating income in 2019 of \$12,304, primarily as a result of continued efforts to hold down costs.

The Water Enterprise Fund reported an operating loss in 2019 of \$101,910, primarily as a result of depreciation of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$56,785. The largest positive variances were in intergovernmental and charges for services. Actual expenditures were greater than overall final budgeted expenditures by \$40,686, largely as a result of unbudgeted debt service payments.

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, 2019, amounted to \$6,967,416 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 5 percent. This increase was primarily due to infrastructure added from the 2019 water project.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 80,349	\$ 80,349	\$ 4,000	\$ 4,000	\$ 84,349	\$ 84,349
Infrastructure	46,855	48,157	5,697,135	5,315,675	5,743,990	5,363,832
Buildings and improvements	290,175	306,219	3,893	4,327	294,068	310,546
Machinery and equipment	837,111	870,972	7,898	10,531	845,009	881,503
Total capital assets	\$ 1,254,490	\$ 1,305,697	\$ 5,712,926	\$ 5,334,533	\$ 6,967,416	\$ 6,640,230

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 \$2,588,350 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bobcat S595 Skidsteer	\$ 39,252	\$ 46,366	\$ -	\$ -	\$ 39,252	\$ 46,366
Equipment Lease	92,794	106,482	-	-	92,794	106,482
G.O. Sewer Revenue Bonds of 2006	-	-	125,493	138,336	125,493	138,336
MPFA Drinking Water State Revolving Fund Loan - 2009	-	-	1,017,476	1,063,476	1,017,476	1,063,476
MPFA Drinking Water State Revolving Fund Loan - 2010	-	-	562,000	587,000	562,000	587,000
MPFA Drinking Water State Revolving Fund Loan - 2013	-	-	119,000	127,000	119,000	127,000
G.O. Water Revenue Bonds of 2013	-	-	59,200	73,386	59,200	73,386
G.O. Water Revenue Bonds of 2015A	-	-	106,000	131,000	106,000	131,000
MPFA Drinking Water State Revolving Fund Loan - 2017	-	-	120,200	126,200	120,200	126,200
MPFA Drinking Water State Revolving Fund Loan - 2019	-	-	204,000	211,879	204,000	211,879
MPFA Drinking Water State Revolving Fund Loan - 2020	-	-	142,935	-	142,935	-
	\$ 132,046	\$ 152,848	\$ 2,456,304	\$ 2,458,277	\$ 2,588,350	\$ 2,611,125

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 2019, 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.

OTHER INFORMATION

- Specific unemployment rates for the City of Greenbush are not available; however, according to the Minnesota Department of Employment & Economic Development, the unemployment rate for Roseau County was 4.2 percent as of December 31, 2019. This is higher than the statewide rate of 3.5 percent and less than the national average rate of 3.4 percent.
- Greenbush's 2019 population according to the League of Minnesota Cities was 713, a decrease of 6 since the 2010 census of 719.

- On December 16, 2019, the City of Greenbush set its 2020 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, 2019**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 435,725	\$ 376,532	\$ 812,257
Investments	420,565	308,348	728,913
Taxes receivable			
Current	11,304	-	11,304
Prior	20,760	424	21,184
Special assessments receivable			
Current	-	2,438	2,438
Prior	12	4,121	4,133
Accounts receivable	1,720	41,328	43,048
Accrued interest receivable	2,990	-	2,990
Due from other governments	11,589	13,752	25,341
Loans receivable	151,537	-	151,537
Net pension asset	41,976	-	41,976
Special assessments receivable - noncurrent	88,793	274,447	363,240
Capital assets			
Non-depreciable	80,349	4,000	84,349
Depreciable - net of accumulated depreciation	1,174,141	5,708,926	6,883,067
Total Assets	\$ 2,441,461	\$ 6,734,316	\$ 9,175,777
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 26,361	\$ 4,848	\$ 31,209
<u>Liabilities</u>			
Accounts payable	\$ 4,493	\$ 588	\$ 5,081
Salaries payable	3,646	1,908	5,554
Compensated absences	6,785	-	6,785
Due to other governments	4,297	2,522	6,819
Long-Term Liabilities			
Due within one year	28,301	157,687	185,988
Due in more than one year	115,652	2,330,765	2,446,417
Net pension liability	67,669	31,846	99,515
Total Liabilities	\$ 230,843	\$ 2,525,316	\$ 2,756,159
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 29,931	\$ 12,562	\$ 42,493
<u>Net Position</u>			
Net investment in capital assets	\$ 1,108,756	\$ 3,256,622	\$ 4,365,378
Amounts restricted for			
Economic development	12,153	-	12,153
Public safety	7,380	-	7,380
Water Infrastructure Replacement Fund (WIF)	-	18,000	18,000
Unrestricted amounts	1,085,544	958,510	2,044,054
Total Net Position	\$ 2,213,833	\$ 4,233,132	\$ 6,446,965

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 125,526	\$ 34,790	\$ 25,000
Public safety	103,901	37,897	61,840
Highways and streets	210,394	-	-
Culture and recreation	199,962	62,039	3,250
Conservation of natural resources	236	100	-
Economic development	5,408	10,419	-
Interest	5,257	-	-
Total governmental activities	\$ 650,684	\$ 145,245	\$ 90,090
Business-type activities			
Sanitation	\$ 90,919	\$ 85,474	\$ -
Sewer	108,425	114,505	-
Water	387,539	258,946	-
Total business-type activities	\$ 586,883	\$ 458,925	\$ -
Total	\$ 1,237,567	\$ 604,170	\$ 90,090

General revenues and transfers

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

Total general revenues and transfers

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (65,736)	\$ -	\$ (65,736)
-	(4,164)	-	(4,164)
-	(210,394)	-	(210,394)
-	(134,673)	-	(134,673)
-	(136)	-	(136)
-	5,011	-	5,011
-	(5,257)	-	(5,257)
\$ -	\$ (415,349)	\$ -	\$ (415,349)
\$ -	\$ -	\$ (5,445)	\$ (5,445)
12,591	-	18,671	18,671
636,521	-	507,928	507,928
\$ 649,112	\$ -	\$ 521,154	\$ 521,154
\$ 649,112	\$ (415,349)	\$ 521,154	\$ 105,805
	\$ 267,264	\$ -	\$ 267,264
	265,669	-	265,669
	9,246	6,343	15,589
	935	-	935
	(20,000)	20,000	-
	\$ 523,114	\$ 26,343	\$ 549,457
	\$ 107,765	\$ 547,497	\$ 655,262
	2,106,068	3,685,635	5,791,703
	\$ 2,213,833	\$ 4,233,132	\$ 6,446,965

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	RBEGR Revolving Loan Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 335,009	\$ 8,871	\$ 91,845	\$ 435,725
Investments	205,565	-	215,000	420,565
Taxes receivable				
Current	11,304	-	-	11,304
Prior	20,760	-	-	20,760
Special assessments receivable				
Prior	12	-	-	12
Accounts receivable	1,720	-	-	1,720
Accrued interest receivable	-	-	2,990	2,990
Due from other governments	11,579	-	10	11,589
Loans receivable	-	151,537	-	151,537
Special assessments receivable - noncurrent	88,793	-	-	88,793
	\$ 674,742	\$ 160,408	\$ 309,845	\$ 1,144,995
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 4,493	\$ -	\$ -	\$ 4,493
Salaries payable	3,646	-	-	3,646
Due to other governments	4,297	-	-	4,297
	\$ 12,436	\$ -	\$ -	\$ 12,436
Deferred Inflows of Resources				
Taxes	\$ 20,760	\$ -	\$ -	\$ 20,760
Loans	-	151,537	-	151,537
Special assessments	88,805	-	-	88,805
	\$ 109,565	\$ 151,537	\$ -	\$ 261,102
Fund Balances				
Restricted for				
Economic development	\$ -	\$ 8,871	\$ 3,282	\$ 12,153
Police DARE	7,380	-	-	7,380
Committed to community improvements	-	-	45,434	45,434
Assigned to				
General government	166,941	-	-	166,941
Highway and streets	100,000	-	-	100,000
Culture and recreation	16,370	-	-	16,370
Public safety	-	-	261,129	261,129
Unassigned	262,050	-	-	262,050
	\$ 552,741	\$ 8,871	\$ 309,845	\$ 871,457
	\$ 674,742	\$ 160,408	\$ 309,845	\$ 1,144,995

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balances - total governmental funds (Exhibit 3)	\$	871,457
<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>		1,254,490
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		261,102
<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	\$ (11,907)	
Loans payable	(39,252)	
Capital leases payable	(92,794)	(143,953)
<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	\$ 41,976	
Net pension liability	(67,669)	
Deferred outflows related to pensions	26,361	
Deferred inflows related to pensions	(29,931)	(29,263)
Net position of governmental activities (Exhibit 1)	\$	<u>2,213,833</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, 2019**

	<u>General</u>	<u>RBE Revolving Loan Special Revenue</u>	<u>Other Governmental Funds (Statement 2)</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 278,335	\$ -	\$ -	\$ 278,335
Special assessments	1,607	-	-	1,607
Licenses and permits	2,220	-	-	2,220
Intergovernmental	289,188	-	18,132	307,320
Charges for services	86,390	-	31,376	117,766
Fines and forfeitures	7	-	-	7
Gifts and contributions	3,250	-	45,189	48,439
Investment earnings	5,216	-	4,030	9,246
Miscellaneous	14,805	12,753	4,092	31,650
Total Revenues	\$ 681,018	\$ 12,753	\$ 102,819	\$ 796,590
Expenditures				
Current				
General government	\$ 120,116	\$ -	\$ -	\$ 120,116
Public safety	69,882	-	11,829	81,711
Highways and streets	185,732	-	-	185,732
Culture and recreation	128,360	-	34,981	163,341
Economic development	-	5,408	-	5,408
Debt service				
Principal retirement	20,802	-	-	20,802
Interest	5,257	-	-	5,257
Capital outlay				
General government	9,530	-	-	9,530
Public safety	-	-	17,223	17,223
Culture and recreation	16,600	-	-	16,600
Total Expenditures	\$ 556,279	\$ 5,408	\$ 64,033	\$ 625,720
Excess of Revenues Over (Under) Expenditures	\$ 124,739	\$ 7,345	\$ 38,786	\$ 170,870
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 13,000	\$ 13,000
Transfers out	(33,000)	-	-	(33,000)
Total Other Financing Sources (Uses)	\$ (33,000)	\$ -	\$ 13,000	\$ (20,000)
Net Change in Fund Balance	\$ 91,739	\$ 7,345	\$ 51,786	\$ 150,870
Fund Balance - January 1	461,002	1,526	258,059	720,587
Fund Balance - December 31	\$ 552,741	\$ 8,871	\$ 309,845	\$ 871,457

**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, 2019**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 150,870

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	\$ 43,353	
Current year depreciation	(94,560)	(51,207)

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	\$ (3,277)	
Special assessments receivable	(9,401)	
Loans receivable	(5,616)	(18,294)

The repayment of the principal of long-term debt consumes the current financial
resources of funds, and decreases long-term liabilities in the Statement of Net Position.
This transaction, however, has no effect on net position.

Principal repayment of capital lease	\$ 13,688	
Principal repayment of loan	7,114	20,802

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		(3,430)
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Net pension liability does not represent the impending use of current resources.
Therefore, the change in the liability and the related deferrals are not
reported in the governmental funds.

		9,024
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Change in net position of governmental activities (Exhibit 2)		\$ 107,765
		107,765

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 17,083	\$ 92,206	\$ 267,243	\$ 376,532
Investments	102,782	71,948	133,618	308,348
Taxes receivable - delinquent	-	424	-	424
Special assessments receivable				
Current	-	531	1,907	2,438
Prior	247	212	3,662	4,121
Accounts receivable	9,614	11,096	20,618	41,328
Due from other governments	270	830	12,652	13,752
Total Current Assets	\$ 129,996	\$ 177,247	\$ 439,700	\$ 746,943
Noncurrent Assets				
Special assessments receivable	\$ -	\$ -	\$ 274,447	\$ 274,447
Capital assets				
Non-depreciable	-	-	4,000	4,000
Depreciable - net of accumulated depreciation	-	302,380	5,406,546	5,708,926
Total Noncurrent Assets	\$ -	\$ 302,380	\$ 5,684,993	\$ 5,987,373
Total Assets	\$ 129,996	\$ 479,627	\$ 6,124,693	\$ 6,734,316
<u>Deferred Outflows of Resources</u>				
Related to pensions	\$ -	\$ 2,424	\$ 2,424	\$ 4,848
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ 588	\$ 588
Salaries payable	-	954	954	1,908
Due to other governments	954	669	899	2,522
General obligation water revenue bonds payable	-	-	39,428	39,428
General obligation revenue bonds payable	-	13,395	-	13,395
MPFA notes payable	-	-	104,864	104,864
Total Current Liabilities	\$ 954	\$ 15,018	\$ 146,733	\$ 162,705
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 151	\$ 151	\$ 302
General obligation water revenue bonds payable	-	-	125,772	125,772
General obligation revenue bonds payable	-	112,098	-	112,098
MPFA notes payable	-	-	2,060,747	2,060,747
Net pension liability	-	15,923	15,923	31,846
Total Noncurrent Liabilities	\$ -	\$ 128,172	\$ 2,202,593	\$ 2,330,765
Total Liabilities	\$ 954	\$ 143,190	\$ 2,349,326	\$ 2,493,470
<u>Deferred Inflows of Resources</u>				
Related to pensions	\$ -	\$ 6,281	\$ 6,281	\$ 12,562
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 176,887	\$ 3,079,735	\$ 3,256,622
Restricted for Water Infrastructure Replacement Fund (WIF)	-	-	18,000	18,000
Unrestricted amounts	129,042	155,693	673,775	958,510
Total Net Position	\$ 129,042	\$ 332,580	\$ 3,771,510	\$ 4,233,132

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 85,474	\$ 114,505	\$ 250,954	\$ 450,933
Miscellaneous	-	-	7,992	7,992
Total Operating Revenues	\$ 85,474	\$ 114,505	\$ 258,946	\$ 458,925
Operating Expenses				
Personnel services	\$ -	\$ 25,466	\$ 25,463	\$ 50,929
Contracted services	87,000	-	-	87,000
Insurance	-	2,701	2,714	5,415
Permits	-	-	1,988	1,988
Repairs and maintenance	-	12,329	32,088	44,417
Supplies	-	34,387	7,627	42,014
Utilities	-	3,134	5,697	8,831
Miscellaneous	3,919	977	2,815	7,711
Depreciation	-	23,207	282,464	305,671
Total Operating Expenses	\$ 90,919	\$ 102,201	\$ 360,856	\$ 553,976
Operating Income (Loss)	\$ (5,445)	\$ 12,304	\$ (101,910)	\$ (95,051)
Nonoperating Revenues (Expenses)				
Special assessments	\$ -	\$ 12,591	\$ 129,751	\$ 142,342
Intergovernmental revenue	-	-	506,770	506,770
Investment earnings	2,114	1,480	2,749	6,343
Interest expense	-	(6,224)	(26,683)	(32,907)
Total Nonoperating Revenues (Expenses)	\$ 2,114	\$ 7,847	\$ 612,587	\$ 622,548
Income (Loss) Before Transfers	\$ (3,331)	\$ 20,151	\$ 510,677	\$ 527,497
Transfers in	-	-	20,000	20,000
Change in Net Position	\$ (3,331)	\$ 20,151	\$ 530,677	\$ 547,497
Net Position - January 1	132,373	312,429	3,240,833	3,685,635
Net Position - December 31	\$ 129,042	\$ 332,580	\$ 3,771,510	\$ 4,233,132

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in Cash and Cash Equivalents**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 85,849	\$ 113,846	\$ 246,151	\$ 445,846
Payments to employees	-	(24,444)	(24,444)	(48,888)
Payments to suppliers	(90,924)	(53,814)	(59,366)	(204,104)
Net cash provided by (used in) operating activities	\$ (5,075)	\$ 35,588	\$ 162,341	\$ 192,854
Cash Flows from Noncapital Financing Activities				
Transfers in	-	-	20,000	20,000
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	-	(12,843)	(39,186)	(52,029)
Interest paid on bonds	-	(6,224)	(4,383)	(10,607)
Principal paid on MPFA Drinking Water Revolving Fund Loan	-	-	(92,879)	(92,879)
Interest paid on MPFA Drinking Water Revolving Fund Loan	-	-	(22,300)	(22,300)
Issuance of Public Facility Authority notes	-	-	142,935	142,935
Intergovernmental receipts	-	-	506,770	506,770
Purchase of capital assets	-	-	(684,064)	(684,064)
Special assessments received	232	13,033	44,206	57,471
Net cash provided by (used in) capital and related financing activities	\$ 232	\$ (6,034)	\$ (148,901)	\$ (154,703)
Cash Flows from Investing Activities				
Investment earnings received	2,114	1,480	2,749	6,343
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,729)	\$ 31,034	\$ 36,189	\$ 64,494
Cash and Cash Equivalents at January 1	122,594	133,120	364,672	620,386
Cash and Cash Equivalents at December 31	\$ 119,865	\$ 164,154	\$ 400,861	\$ 684,880

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (5,445)	\$ 12,304	\$ (101,910)	\$ (95,051)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 23,207	\$ 282,464	\$ 305,671
Decrease (increase) in assets				
Accounts receivable	455	106	(229)	332
Due from other governments	(270)	(830)	(12,652)	(13,752)
Increase (decrease) in liabilities				
Accounts payable	(5)	(250)	(6,401)	(6,656)
Salaries payable		954	954	1,908
Compensated absences payable	-	151	151	302
Due to other governments	190	63	81	334
Net pension liability	-	(117)	(117)	(234)
Total adjustments	\$ 370	\$ 23,284	\$ 264,251	\$ 287,905
Net cash provided by (used in) operating activities	\$ (5,075)	\$ 35,588	\$ 162,341	\$ 192,854

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

I. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The Charter of the City of Greenbush was adopted in 1905, and has the powers, duties, and privileges granted by state law, codified in Minnesota Statutes, Chapter 412. The City operates under a Mayor-Council form of government and provides services such as general government, public safety, highways and streets, culture and recreation, conservation of natural resources, economic development, water and sewer utilities, and sanitation, as authorized by its charter.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund type:

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers 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, 2019, based on market prices. Investment earnings on cash and investments are allocated to the funds. The City of Greenbush also participates in a pooled checking account for operating purposes. Pooled investment earnings for 2019 were \$2,988. Total investment earnings for 2019 were \$15,589.

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 2019 and deferred special assessments collectible in 2020 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 and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

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

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

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

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

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

4. Capital Assets

Capital assets, which include land, infrastructure (e.g., sewers and water mains), buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except land which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 and special assessments receivable 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, 2019.

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

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

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

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

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

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely, such as uncertainties in economics that leads to overstated revenue forecasts, unpredictable changes in state law, and unforeseen expenditures such as natural disasters, for which no other governmental resources are made available or there is a delay in receiving those funds from other governmental agencies. As of December 31, 2019, 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, 2019, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 435,725
Investments	420,565
Business-type Activities	
Cash and pooled investments	376,532
Investments	<u>308,348</u>
Total Cash and Investments	<u>\$ 1,541,170</u>
Deposits	
Petty cash and change funds	\$ 100
Checking accounts	812,158
Certificates of deposit	<u>728,912</u>
Total Deposits and Cash on Hand	<u>\$ 1,541,170</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, 2019, the City’s deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2019, for the City’s governmental activities and business-type activities, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 32,064	\$ -
Special Assessments	88,805	88,793
Accounts	1,720	-
Due from other governments	11,589	-
Loans	<u>151,537</u>	<u>140,126</u>
Total Governmental Activities	<u>\$ 285,715</u>	<u>\$ 228,919</u>

**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	\$ 424	\$ -
Special assessments	281,006	274,447
Accounts	41,328	-
Due from other governments	13,752	-
Total Business-Type Activities	\$ 336,510	\$ 274,447

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2019, 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	\$ 9,530	\$ -	\$ 1,031,929
Infrastructure	52,063	-	-	52,063
Machinery and equipment	1,645,579	33,823	-	1,679,402
Total capital assets being depreciated	\$ 2,720,041	\$ 43,353	\$ -	\$ 2,763,394
Less: accumulated depreciation for				
Buildings and improvements	\$ 716,180	\$ 25,574	\$ -	\$ 741,754
Infrastructure	3,906	1,302	-	5,208
Machinery and equipment	774,607	67,684	-	842,291
Total accumulated depreciation	\$ 1,494,693	\$ 94,560	\$ -	\$ 1,589,253
Total capital assets, depreciated, net	\$ 1,225,348	\$ (51,207)	\$ -	\$ 1,174,141
Governmental Activities				
Capital Assets, Net	\$ 1,305,697	\$ (51,207)	\$ -	\$ 1,254,490

**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	\$ 6,816,865	\$ 684,064	\$ -	\$ 7,500,929
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
Total capital assets being depreciated	<u>\$ 6,904,221</u>	<u>\$ 684,064</u>	<u>\$ -</u>	<u>\$ 7,588,285</u>
Less: accumulated depreciation for				
Infrastructure	\$ 1,501,190	\$ 302,604	\$ -	\$ 1,803,794
Buildings and improvements	8,673	434	-	9,107
Machinery and equipment	63,825	2,633	-	66,458
Total accumulated depreciation	<u>\$ 1,573,688</u>	<u>\$ 305,671</u>	<u>\$ -</u>	<u>\$ 1,879,359</u>
Total capital assets, depreciated, net	<u>\$ 5,330,533</u>	<u>\$ 378,393</u>	<u>\$ -</u>	<u>\$ 5,712,926</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,334,533</u>	<u>\$ 378,393</u>	<u>\$ -</u>	<u>\$ 5,712,926</u>

Depreciation Expense

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

Governmental Activities	
General government	\$ 4,947
Public safety	30,718
Highways and streets	22,038
Culture and recreation	36,621
Conservation of natural resources	236
Total Depreciation Expense - Governmental Activities	<u>\$ 94,560</u>
Business-Type Activities	
Sewer	\$ 23,207
Water	282,464
Total Depreciation Expense - Business-Type Activities	<u>\$ 305,671</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

B. Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following operating transfers:

Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	\$	13,000	Fire equipment reserves
Transfer to Water Enterprise Fund from General Fund		20,000	Water protection fees
Total Interfund Transfers	\$	33,000	

C. Liabilities

Compensated Absences

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

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$13,072 at December 31, 2019, 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 \$7,349 to \$8,368 through April 1, 2024. The balance outstanding at December 31, 2019 is \$39,252.

City of Greenbush equipment lease issued in 2019, 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 \$14,167 to \$16,824 through May 23, 2025. The balance outstanding at December 31, 2019 \$92,794.

**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 \$13,395 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2019 is \$125,493.

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, 2019 is \$1,017,476.

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 \$25,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2019 is \$562,000.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #3 issued in 2013 represents debt incurred for water main improvements. This loan has an original issue amount of \$166,364. It carries a net interest rate of 1.00 percent and is due in annual installments from the Water Enterprise Fund of \$8,000 to \$9,000 through 2026. The balance outstanding at December 31, 2019 is \$119,000.

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, 2019 is \$59,200.

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, 2019 is \$106,000.

**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 – MPFA #4 issued in 2017 represents debt incurred for water main improvements. This loan has an original issue amount of \$128,434. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$2,234 to \$30,000 through 2036. The balance outstanding at December 31, 2019 is \$120,200.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #5 issued in 2018 represents debt incurred for water main improvements. This loan has an original issue amount of \$211,879. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$14,000 to \$16,000 through 2033. The balance outstanding at December 31, 2019 is \$204,000.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #6 issued in 2019 represents debt incurred for water main improvements. This loan has an original issue amount of \$142,935. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$2,071 to \$11,000 through 2034. The balance outstanding at December 31, 2019 is \$142,935.

Debt Service Requirements

Governmental Activities

Debt service requirements for the government-type activities for the year ended December 31, 2019, are as follows:

Year Ending December 31	Bobcat Skidsteer Purchase Agreement		Equipment Lease Agreement	
	Principal	Interest	Principal	Interest
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	16,257	1,158	8,368	276
2025-2027	16,824	588	-	-
Total	<u>\$ 92,794</u>	<u>\$ 11,693</u>	<u>\$ 39,252</u>	<u>\$ 3,969</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, 2019, are as follows:

Year Ending December 31	General Obligation					
	Water and Sewer Revenue Bonds of 2006		Water Revenue Bonds of 2013		Water Revenue Bonds of 2015A	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 13,395	\$ 5,672	\$ 14,428	\$ 1,006	\$ 25,000	\$ 2,618
2021	13,984	5,083	14,673	761	26,000	1,904
2022	14,600	4,467	14,922	512	27,000	1,162
2023	15,256	3,811	15,177	257	28,000	392
2024	15,943	3,124	-	-	-	-
2025-2029	52,315	4,886	-	-	-	-
	<u>\$ 125,493</u>	<u>\$ 27,043</u>	<u>\$ 59,200</u>	<u>\$ 2,536</u>	<u>\$ 106,000</u>	<u>\$ 6,076</u>

Year Ending December 31	MPFA			
	Water Revenue Notes of 2009		Water Revenue Notes of 2010	
	Principal	Interest	Principal	Interest
2020	\$ 46,000	\$ 10,226	\$ 25,000	\$ 6,441
2021	47,000	9,763	25,000	6,154
2022	47,000	9,291	26,000	5,868
2023	48,000	8,819	26,000	5,570
2024	48,000	8,336	26,000	5,272
2025-2029	247,000	34,335	137,000	21,763
2030-2034	261,000	21,661	144,000	13,740
2035-2036	273,476	8,285	153,000	5,293
	<u>\$ 1,017,476</u>	<u>\$ 110,716</u>	<u>\$ 562,000</u>	<u>\$ 70,101</u>

Year Ending December 31	2013 MPFA Drinking Water State Revolving Fund Loan		2017 MPFA Drinking Water State Revolving Fund Loan		2018 MPFA Drinking Water State Revolving Fund Loan		2019 MPFA Drinking Water State Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 9,000	\$ 1,190	\$ 7,000	\$ 1,202	\$ 14,000	\$ 2,040	\$ 3,864	\$ 3,380
2021	9,000	1,100	7,000	1,132	14,000	1,900	10,000	1,480
2022	9,000	1,010	7,000	1,062	14,000	1,760	10,000	1,380
2023	9,000	920	7,000	992	14,000	1,620	10,000	1,280
2024	9,000	830	7,000	922	14,000	1,480	10,000	1,180
2025-2029	45,000	2,800	35,000	3,560	73,000	5,270	53,000	4,370
2030-2034	29,000	590	36,000	1,810	61,000	1,540	46,071	1,650
2035-2036	-	-	14,200	204	-	-	-	-
	<u>\$ 119,000</u>	<u>\$ 8,440</u>	<u>\$ 120,200</u>	<u>\$ 10,884</u>	<u>\$ 204,000</u>	<u>\$ 15,610</u>	<u>\$ 142,935</u>	<u>\$ 14,720</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, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bobcat Skidsteer Purchase Agreement	\$ 46,366	\$ -	\$ 7,114	\$ 39,252	\$ 7,349
Equipment Lease	106,482	-	13,688	92,794	14,167
Compensated Absences	8,477	10,957	7,527	11,907	5,122
Net Pension Asset	74,012	-	32,036	41,976	-
Net Pension Liability	79,216	-	11,544	67,672	-
Governmental Activities Long-Term Liabilities	<u>\$ 314,553</u>	<u>\$ 10,957</u>	<u>\$ 71,909</u>	<u>\$ 253,601</u>	<u>\$ 26,638</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 138,336	\$ -	\$ 12,843	\$ 125,493	\$ 13,395
MPFA Drinking Water State Revolving Funds of 2009	1,063,476	-	46,000	1,017,476	46,000
MPFA Drinking Water State Revolving Funds of 2010	587,000	-	25,000	562,000	25,000
MPFA Drinking Water State Revolving Funds of 2013	127,000	-	8,000	119,000	9,000
General Obligation Water Revenue Bonds of 2013	73,386	-	14,186	59,200	14,428
General Obligation Water Revenue Bonds of 2015	131,000	-	25,000	106,000	25,000
MNPFA Drinking Water State Revolving Funds of 2017	126,200	-	6,000	120,200	7,000
MNPFA Drinking Water State Revolving Funds of 2018	211,879	-	7,879	204,000	14,000
MNPFA Drinking Water State Revolving Funds of 2019	-	142,935	-	142,935	3,864
Compensated Absences	-	1,646	1,345	301	-
Net Pension Liability	37,282	-	5,436	31,846	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,495,559</u>	<u>\$ 144,581</u>	<u>\$ 151,689</u>	<u>\$ 2,488,451</u>	<u>\$ 157,687</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, 2019, are summarized below by fund:

	Taxes	Special Assessments	Loans Receivable	Total
Governmental funds				
General	\$ 20,760	\$ 88,805	\$ -	\$ 109,565
RBEG Revolving Loan Special Revenue	-	-	151,537	151,537
Total	\$ 20,760	\$ 88,805	\$ 151,537	\$ 261,102

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

All full-time and certain part-time employees of the City of Greenbush are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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, 2019, the plan covered 38 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. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2019, and 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, 2019, were \$11,205. 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, 2019. 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, 2019, was \$2,400. 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, 2019, the City of Greenbush reported a liability of \$99,518 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 2019. 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 \$3,000. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Greenbush's proportion share was .0018 percent which decreased by .0003 percent from its proportion measured as of June 30, 2018.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

D. Pension Costs

General Employees Fund Pension Costs (Continued)

Proportionate share of the net pension liability	\$	99,518
State of Minnesota's proportionate share of the net pension liability associated with the City of Greenbush		4,631
Total	\$	104,149

There were no provision changes during the measurement period.

For the year ended December 31, 2019, the City of Greenbush recognized pension expense of \$4,631 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Greenbush recognized an additional \$225 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, 2019, 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	\$ 2,911	\$ -
Changes in actuarial assumptions	-	8,641
Difference between projected and actual investment earnings	5,332	18,133
Changes in proportion	3,192	12,482
Contributions paid to PERA subsequent to the measurement date	3,715	-
Total	\$ 15,150	\$ 39,256

\$3,715 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, 2020. 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
2020	\$ (9,831)
2021	(11,655)
2022	(6,497)
2023	161
2024	-

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

D. Pension Costs (Continued)

Firefighters' Relief Association (FRA) Plan Pension Costs

At December 31, 2019, the City of Greenbush reported a net pension asset of \$41,976 for its proportionate share of the FRA's expense. The net pension asset was measured as of December 31, 2018. 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.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a-b)
Beginning Balance January 1, 2019	\$ 300,387	\$ 374,399	\$ (74,012)
Changes for the Year:			
Service Cost	10,809	-	10,809
Interest on Pension Liability	17,463	-	17,463
Nonemployer Contributions	-	17,950	(17,950)
Projected Investment Return	-	21,574	(21,574)
Asset (Gains)/Losses	(3,562)	(45,486)	41,924
Benefit Payments	(15,000)	(15,000)	-
PERA Administrative Fee	-	(1,364)	1,364
Net Changes	<u>\$ 9,710</u>	<u>\$ (22,326)</u>	<u>\$ 32,036</u>
Balance End of Year 12/31/2019	<u>\$ 310,097</u>	<u>\$ 352,073</u>	<u>\$ (41,976)</u>

There were no benefit provision changes during the measurement period.

At December 31, 2019, the City of Greenbush reported deferred outflows and deferred inflows of resources related to pension for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 3,238
Difference between projected and actual investment earnings	16,058	-
Total	<u>\$ 16,058</u>	<u>\$ 3,238</u>

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
2020	\$ 1,360
2021	1,364
2022	3,268
2023	8,770
2024	(324)
2025	(1,618)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

D. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City of Greenbush for the year ended December 31, 2019, was \$13,159.

E. Actuarial Assumptions

General Employees Fund

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

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:

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

E. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%

Firefighters' Relief Association (FRA) Plan

The total pension liability at December 31, 2019, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility:	50% at age 50; 20% at ages 51-56; 100% thereafter
Investment Rate of Return:	5.75%
20-Year Municipal Bond Yield:	3.50%
Salary Increases:	2.50%
Interest on Deferred Amounts:	4.00% future annual increase to eligible deferred pension
Form of Payment:	Lump Sum

There were no changes in actuarial assumptions in 2019.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	28.00%	2.25%
Fixed Income	9.00%	4.00%
Equities	62.00%	7.50%
Other	1.00%	6.00%
Total Portfolio:	<u>100.00%</u>	<u>5.75%</u>

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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans (Continued)

F. Discount Rate

General Employees Fund

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Firefighters' Relief Association (FRA) Plan

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

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						
<i>Net Pension Liability (Asset) at Different Discount Rates</i>						
	General Employees Fund			Firefighter Retirement Plan		
1% Lower	6.50%	\$	163,602	4.75%	\$	(33,729)
Current Discount Rate	7.50%		99,518	5.75%		(41,976)
1% Higher	8.50%		46,604	6.75%		(49,976)

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 .

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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. 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.

C. Significant Contingency

The City has entered into a signed agreement with Roseau County as of March 28, 2016 for the construction of a joint County-City Highway Department building located in the City. The building was completed in 2019, and the City had agreed to pay five annual payments totaling \$100,000 at an interest rate of 5%. The payments were to commence on January 31, 2017, but the shop was not yet complete at that time. As of December 31, 2019, the shop is complete, but due to conflicts which have risen after construction regarding the bidding and building process, the City has not yet begun payments and is currently in negotiations with the County for a new agreement.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 273,181	\$ 273,181	\$ 278,335	\$ 5,154
Special assessments	\$ 1,000	\$ 1,000	\$ 1,607	\$ 607
Licenses and permits	\$ 2,570	\$ 2,570	\$ 2,220	\$ (350)
Intergovernmental				
Shared Revenues				
PERA Rate Reimbursement	\$ 668	\$ 668	\$ 668	\$ -
Fire State Aid	11,000	11,000	17,518	6,518
Firefighters Supplemental Benefit Reimbursement	-	-	2,571	2,571
Local Government Aid	261,501	261,501	261,501	-
State Grants				
Minnesota Dept of Natural Resources	-	-	3,430	3,430
Local Grants				
Northwest Minnesota Foundation	-	-	3,500	3,500
Total Intergovernmental	\$ 273,169	\$ 273,169	\$ 289,188	\$ 16,019
Charges for services				
General government	\$ 6,100	\$ 6,100	\$ 18,647	\$ 12,547
Public safety	31,000	31,000	37,080	6,080
Culture and recreation	27,000	27,000	30,663	3,663
Total Charges for Services	\$ 64,100	\$ 64,100	\$ 86,390	\$ 22,290
Fines and forfeitures	\$ -	\$ -	\$ 7	\$ 7
Gifts and contributions	\$ -	\$ -	\$ 3,250	\$ 3,250
Investment earnings	\$ 500	\$ 500	\$ 5,216	\$ 4,716
Miscellaneous				
General government	\$ 9,713	\$ 9,713	\$ 13,770	\$ 4,057
Culture and recreation	-	-	100	100
Insurance dividends	-	-	935	935
Total Miscellaneous	\$ 9,713	\$ 9,713	\$ 14,805	\$ 5,092
Total Revenues	\$ 624,233	\$ 624,233	\$ 681,018	\$ 56,785

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Current				
General government				
Mayor/council	\$ 8,000	\$ 8,000	\$ 6,602	\$ 1,398
City clerk/treasurer	81,400	81,400	80,696	704
Professional services	7,200	7,200	5,900	1,300
Legal	1,500	1,500	5,019	(3,519)
Assessor	3,700	3,700	3,815	(115)
Buildings and grounds	15,700	15,700	13,770	1,930
Insurance	3,500	3,500	2,889	611
Other general government	1,500	1,500	1,425	75
Total general government	\$ 122,500	\$ 122,500	\$ 120,116	\$ 2,384
Public safety				
Police	\$ 500	\$ 500	\$ 506	\$ (6)
Fire	39,450	39,450	49,287	(9,837)
Fire relief association	11,000	11,000	20,089	(9,089)
Total public safety	\$ 50,950	\$ 50,950	\$ 69,882	\$ (18,932)
Highways and streets				
Streets and alleys	\$ 153,800	\$ 153,800	\$ 169,115	\$ (15,315)
Street lighting	20,000	21,500	16,617	4,883
Total highways and streets	\$ 173,800	\$ 175,300	\$ 185,732	\$ (10,432)
Culture and recreation				
Ice rinks	\$ 2,550	\$ 2,550	\$ 2,415	\$ 135
Library	20,364	20,364	18,593	1,771
Recreational programs	20,350	20,350	34,810	(14,460)
Swimming pool	75,020	75,020	57,806	17,214
Other culture and recreation	14,500	14,500	14,736	(236)
Total culture and recreation	\$ 132,784	\$ 132,784	\$ 128,360	\$ 4,424

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Economic development				
Other economic development	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Debt service				
Principal retirement	\$ -	\$ -	\$ 20,802	\$ (20,802)
Interest	-	-	5,257	(5,257)
Total debt service	\$ -	\$ -	\$ 26,059	\$ (26,059)
Capital outlay				
General government	\$ 5,000	\$ 5,000	\$ 9,530	\$ (4,530)
Highways and streets	\$ 26,059	\$ 26,059	-	\$ 26,059
Culture and recreation	-	-	16,600	(16,600)
Total capital outlay	\$ 31,059	\$ 31,059	\$ 26,130	\$ 4,929
Total Expenditures	\$ 514,093	\$ 515,593	\$ 556,279	\$ (40,686)
Excess of Revenues Over (Under)				
Expenditures	\$ 110,140	\$ 108,640	\$ 124,739	\$ 16,099
Other Financing Sources (Uses)				
Transfers out	\$ (110,640)	\$ (110,640)	\$ (33,000)	\$ 77,640
Net Change in Fund Balance	\$ (500)	\$ (2,000)	\$ 91,739	\$ 93,739
Fund Balance - January 1	461,002	461,002	461,002	-
Fund Balance - December 31	\$ 460,502	\$ 459,002	\$ 552,741	\$ 93,739

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 14,719	\$ 14,719	\$ 12,753	\$ (1,966)
Expenditures				
Current				
Economic development				
Administration	\$ -	\$ -	\$ 408	\$ (408)
Other economic development	-	-	5,000	(5,000)
Total Expenditures	\$ -	\$ -	\$ 5,408	\$ (5,408)
Excess of Revenues Over (Under)				
Expenditures	\$ 14,719	\$ 14,719	\$ 7,345	\$ (7,374)
Fund Balance - January 1	-	-	1,526	1,526
Fund Balance - December 31	\$ 14,719	\$ 14,719	\$ 8,871	\$ (5,848)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019	\$ 11,205	\$ 11,205	\$ -	\$ 149,225	7.5%
December 31, 2018	\$ 10,901	\$ 10,901	\$ -	\$ 145,529	7.5%
December 31, 2017	\$ 9,900	\$ 9,900	\$ -	\$ 132,010	7.5%
December 31, 2016	\$ 9,741	\$ 9,741	\$ -	\$ 129,880	7.5%
December 31, 2015	\$ 9,579	\$ 9,579	\$ -	\$ 127,720	7.5%

FIRE RELIEF ASSOCIATION PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2018	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019	0.0018%	\$ 99,518	\$ 4,631	\$ 104,149	\$ 125,602	79.23%	80.23%
June 30, 2018	0.0021%	\$ 116,499	\$ 3,876	\$ 120,375	\$ 136,771	85.18%	79.53%
June 30, 2017	0.0020%	\$ 127,679	\$ 1,591	\$ 129,270	\$ 128,399	99.44%	75.90%
June 30, 2016	0.0020%	\$ 162,390	\$ 2,094	\$ 164,484	\$ 125,070	129.84%	68.90%
June 30, 2015	0.0020%	\$ 103,650	\$ -	\$ 103,650	\$ 123,416	83.98%	78.20%

FIRE RELIEF ASSOCIATION PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the 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, 2019	100%	\$ (81,448)	\$ -	\$ (81,448)	N/A	N/A	125.00%
June 30, 2018	100%	\$ (74,012)	\$ -	\$ (74,012)	N/A	N/A	125.00%
June 30, 2017	100%	\$ (38,368)	\$ -	\$ (38,368)	N/A	N/A	113.00%
June 30, 2016	100%	\$ (22,037)	\$ -	\$ (22,037)	N/A	N/A	108.00%

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Legal	5,019	1,500	(3,519)
Assessor	3,815	3,700	(115)
Public safety			
Police	506	500	(6)
Fire	49,287	39,450	(9,837)
Fire relief association	20,089	11,000	(9,089)
Highways and streets			
Streets and alleys	169,115	153,800	(15,315)
Culture and recreation			
Recreational programs	34,810	20,350	(14,460)
Other culture and recreation	14,736	14,500	(236)
Debt service			
Principal retirement	20,802	-	(20,802)
Interest	5,257	-	(5,257)
Capital outlay			
General government	9,530	5,000	(4,530)
Culture and recreation	16,600	-	(16,600)
RBEG Revolving Loan Special Revenue Fund			
Economic development			
Administration	408	-	(408)
Other economic development	5,000	-	(5,000)

**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.

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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 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, 2019**

	Fire Department Special Revenue	Fire Department Special Project Special Revenue	General Special Project Special Revenue	Small Cities Development Program Special Revenue	Total (Exhibit 3)
Assets					
Cash and pooled investments	\$ 929	\$ 42,200	\$ 45,434	\$ 3,282	\$ 91,845
Investments	15,000	200,000	-	-	215,000
Due from other governments	-	10	-	-	10
Accrued interest receivable	-	2,990	-	-	2,990
Total Assets	<u>\$ 15,929</u>	<u>\$ 245,200</u>	<u>\$ 45,434</u>	<u>\$ 3,282</u>	<u>\$ 309,845</u>
Fund Balances					
Restricted for economic development	\$ -	\$ -	\$ -	\$ 3,282	\$ 3,282
Committed to community improvements	-	-	45,434	-	45,434
Assigned to public safety	15,929	245,200	-	-	261,129
Total Fund Balances	<u>\$ 15,929</u>	<u>\$ 245,200</u>	<u>\$ 45,434</u>	<u>\$ 3,282</u>	<u>\$ 309,845</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,929</u>	<u>\$ 245,200</u>	<u>\$ 45,434</u>	<u>\$ 3,282</u>	<u>\$ 309,845</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Fire Department Special Revenue	Fire Department Special Project Special Revenue	Golf Course Special Revenue	General Special Projects Special Revenue	Small Cities Development Program Special Revenue	Total (Exhibit 5)
Revenues						
Intergovernmental	\$ -	\$ 18,132	\$ -	\$ -	\$ -	\$ 18,132
Charges for services	-	-	31,376	-	-	31,376
Gifts and contributions	321	19,868	-	25,000	-	45,189
Investment earnings	78	3,952	-	-	-	4,030
Miscellaneous	-	810	-	-	3,282	4,092
Total Revenues	\$ 399	\$ 42,762	\$ 31,376	\$ 25,000	\$ 3,282	\$ 102,819
Expenditures						
Current						
Public safety	\$ -	\$ 11,829	\$ -	\$ -	\$ -	\$ 11,829
Culture and recreation	-	-	31,376	3,605	-	34,981
Capital outlay						
Public safety	-	17,223	-	-	-	17,223
Total Expenditures	\$ -	\$ 29,052	\$ 31,376	\$ 3,605	\$ -	\$ 64,033
Excess of Revenues Over (Under) Expenditures	\$ 399	\$ 13,710	\$ -	\$ 21,395	\$ 3,282	\$ 38,786
Other Financing Sources (Uses)						
Transfers in	-	13,000	-	-	-	13,000
Net Change in Fund Balance	\$ 399	\$ 26,710	\$ -	\$ 21,395	\$ 3,282	\$ 51,786
Fund Balance - January 1	15,530	218,490	-	24,039	-	258,059
Fund Balance - December 31	\$ 15,929	\$ 245,200	\$ -	\$ 45,434	\$ 3,282	\$ 309,845

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 321	\$ (429)
Investment earnings	-	-	78	78
Total Revenues	\$ 750	\$ 750	\$ 399	\$ (351)
Expenditures				
Current				
Public safety				
Fire protection	100	100	-	100
Net Change in Fund Balance	\$ 650	\$ 650	\$ 399	\$ (251)
Fund Balance - January 1	-	-	15,530	15,530
Fund Balance - December 31	\$ 650	\$ 650	\$ 15,929	\$ 15,279

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 2,000	\$ 2,000	\$ 19,868	\$ 17,868
Intergovernmental	-	-	18,132	18,132
Investment earnings	-	-	3,952	3,952
Miscellaneous	-	-	810	810
Total Revenues	\$ 2,000	\$ 2,000	\$ 42,762	\$ 40,762
Expenditures				
Current				
Public safety				
Fire	\$ 2,000	\$ 2,000	\$ 11,829	\$ (9,829)
Capital outlay				
Public safety	-	-	17,223	(17,223)
Total Expenditures	\$ 2,000	\$ 2,000	\$ 29,052	\$ (27,052)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 13,710	\$ 13,710
Other Financing Sources (Uses)				
Transfers in	13,000	13,000	13,000	-
Net Change in Fund Balance	\$ 13,000	\$ 13,000	\$ 26,710	\$ 13,710
Fund Balance - January 1	-	-	218,490	218,490
Fund Balance - December 31	\$ 13,000	\$ 13,000	\$ 245,200	\$ 232,200

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Shared Revenue

State

Fire state aid	\$	17,518
Fire relief association supplemental benefit reimbursement		2,571
Local government aid		261,501
PERA rate reimbursement		668
		<hr/>

Total Shared Revenue **\$** **282,258**

Grants

Local

Northwest Minnesota Foundation	\$	3,500
		<hr/>

State

Minnesota Department/Board of

Natural Resources	\$	3,430
Public Facilities Authority		506,770
Public Safety		18,132
		<hr/>

Total State Grants **\$** **528,332**

Total Intergovernmental Revenue **\$** **814,090**

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 3, 2020.

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 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

City 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
March 3, 2020

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2019-001

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**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED (Continued)

Finding Number: 2019-002

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.*



CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019, 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.*

244 Main Street N
PO Box 98
Greenbush, MN 56726

Phone: 218-782-2570
Fax: 218-782-2146
Email: greenbush@wiktel.com





SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 as of December 31, 2019.

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 as of December 31, 2019

Finding Number: 2018-001

Finding Title: City Fundraising

Summary of 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.

Summary of Corrective Action: All future fundraising revenues and expenditures will be receipted and disbursed by the Fire Relief Association.

Status: Corrected.

244 Main Street N
PO Box 98
Greenbush, MN 56726

Phone: 218-782-2570
Fax: 218-782-2146
Email: greenbush@wiktel.com

