

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2010

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

ORGANIZATION SCHEDULE
DECEMBER 31, 2010

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected		
Scott Waage	Mayor	December 31, 2012
Lavern Emery ¹	Councilmember	December 31, 2010
Jon Foss ²	Councilmember	December 31, 2010
Sandy McFarlane	Councilmember	December 31, 2012
Dennis Filer	Councilmember	December 31, 2012
Appointed		
Anita Locken	Clerk/Treasurer	Indefinite

¹ Replaced by Brenda Sather in January, 2011.

² Replaced by Dwight Hasson in January, 2011.

FINANCIAL SECTION



Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

GOVERNMENTAL AUDIT SERVICES

1845 Highway 59 South

Suite 1100

Thief River Falls, MN 56701

Phone: 218-681-4078

Fax: 218-681-4079

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Greenbush's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2011, 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* and should be considered in assessing the results of our audit.

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.

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 as a whole. The introductory section and the supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introductory section has 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 it.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

April 18, 2011



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, 2010. 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 assets of governmental activities are \$1,387,920, of which \$760,576 is invested in capital assets, net of related debt, \$16,215 is restricted for specific purposes, and \$611,129 is unrestricted. The total net assets of governmental activities decreased by \$5,341 for the year ended December 31, 2010. This is attributed primarily to depreciation of capital assets.

The total net assets of business-type activities are \$1,297,282, of which \$1,025,449 is invested in capital assets, net of related debt, and \$271,833 is unrestricted. The total net assets of business-type activities increased by \$744,059 in 2010, as a result of construction in progress and infrastructure additions for the Water Enterprise Fund.

At the close of 2010, the City's governmental funds reported combined ending fund balances of \$480,198, a decrease of \$491, from the prior year. Of the total fund balance amount, \$37,503 is legally or contractually reserved, \$371,251 is designated for specific purposes, and an additional \$71,444 is available for spending at the City's discretion and is noted as unreserved, undesignated fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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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 Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 Assets* 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 three governmental fund types: General, Special Revenue, and Debt Service. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Fire Department Special Project/Equipment Special Revenue Fund, the RBEG Revolving Loan Special Revenue Fund, and the Small Cities Development Program Special Revenue Fund, all of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Greenbush adopts annual budgets for its major governmental funds. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds The City of Greenbush maintains three proprietary funds. 1) The Sanitation Enterprise Fund is used to account for the operations of the garbage collection system. 2) The Sewer Fund is used to account for the activities of the City's sewer utilities. Financing is provided by charges to residents for services. 3) The Water Fund is used to account for the activities of the City's water utilities. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the Statement of Net Assets and the Statement of Activities as business-type activities. Both of the enterprise funds are major.

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 information including combining statements, budgetary comparison schedules, and the schedule of intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$2,685,202 at the close of 2010. The largest portion of the City's net assets (approximately 66 percent) reflects its investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment), net of related debt to acquire those assets. It should be noted that this amount is not available for future spending. Approximately one percent of the City's net assets are restricted for debt service and public safety and 33 percent of the City's net assets are unrestricted. The unrestricted net asset amount of \$882,962 as of December 31, 2010, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$1,391,934, from the prior year, primarily due to ongoing construction of the water system improvements. Total liabilities increased by \$653,216, from the prior year, due to increased debt service for the construction of the above mentioned water system improvements. This resulted in increased net assets of \$738,718 from the prior year.

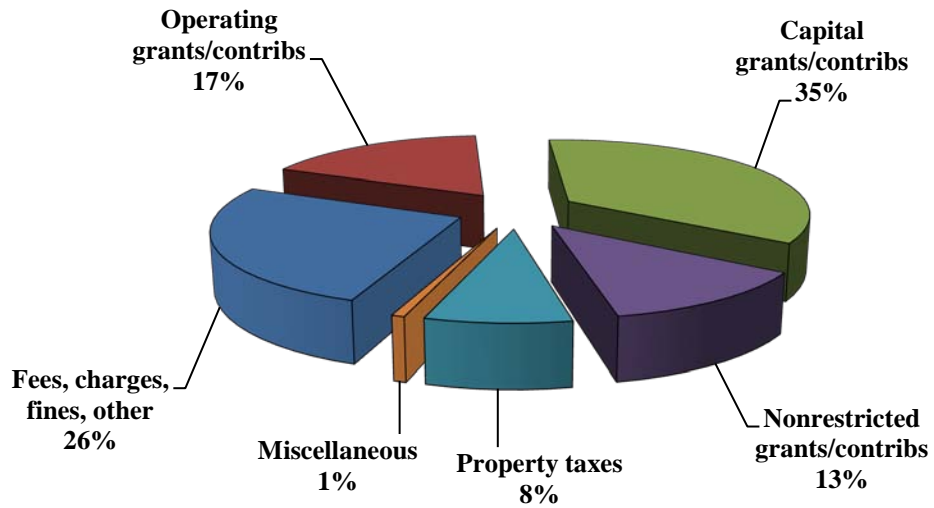
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 664,297	\$ 673,218	\$ 352,715	\$ 383,967	\$ 1,017,012	\$ 1,057,185
Capital assets	874,092	942,078	3,330,453	1,830,360	4,204,545	2,772,438
Total assets	\$ 1,538,389	\$ 1,615,296	\$ 3,683,168	\$ 2,214,327	\$ 5,221,557	\$ 3,829,623
Other liabilities	\$ 28,767	\$ 25,536	\$ 80,882	\$ 9,697	\$ 109,649	\$ 35,233
Long-term liabilities outstanding	121,702	196,499	2,305,004	1,651,407	2,426,706	1,847,906
Total liabilities	\$ 150,469	\$ 222,035	\$ 2,385,886	\$ 1,661,104	\$ 2,536,355	\$ 1,883,139
Net assets						
Invested in capital assets, net of related debt	\$ 760,576	\$ 811,322	\$ 1,025,449	\$ 182,563	\$ 1,786,025	\$ 993,885
Restricted	16,215	48,273	-	-	16,215	48,273
Unrestricted	611,129	533,666	271,833	370,660	882,962	904,326
Total net assets	\$ 1,387,920	\$ 1,393,261	\$ 1,297,282	\$ 553,223	\$ 2,685,202	\$ 1,946,484

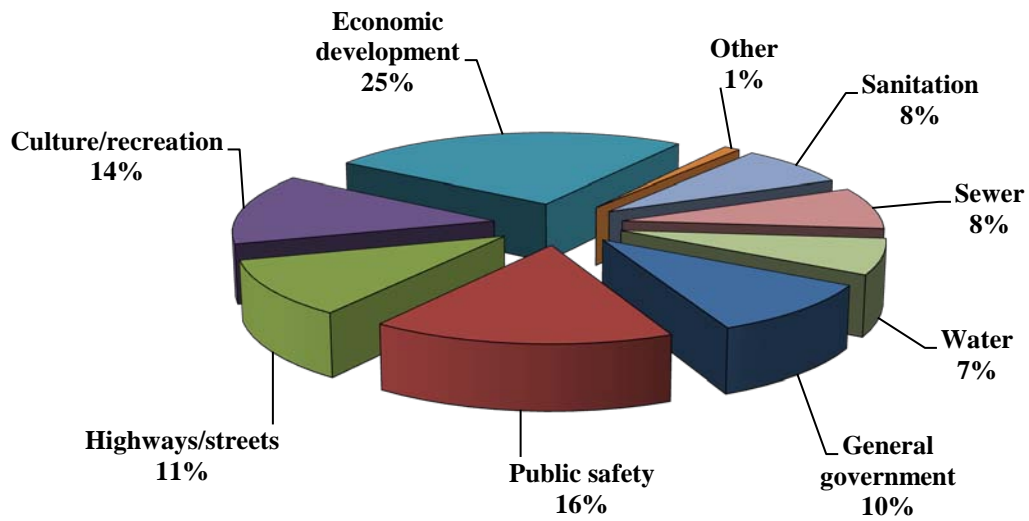
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for services	\$ 151,884	\$ 140,377	\$ 333,949	\$ 266,714	\$ 485,833	407,091
Operating grants and contributions	325,148	134,343	-	-	325,148	134,343
Capital grants and contributions	11,826	2,355	646,190	-	658,016	2,355
General Revenues and Transfers						
Property taxes	141,113	150,884	9,082	7,997	150,195	158,881
Grants and contributions not restricted to specific programs	232,888	233,185	-	-	232,888	233,185
Investment earnings	6,998	12,665	1,436	2,867	8,434	15,532
Insurance dividends	4,978	-	-	-	4,978	-
Transfers	(9,000)	-	9,000	-	-	-
Total revenues	\$ 865,835	\$ 673,809	\$ 999,657	\$ 277,578	\$ 1,865,492	\$ 951,387
Expenses						
General government	\$ 113,209	\$ 101,267	\$ -	\$ -	\$ 113,209	\$ 101,267
Public safety	185,463	206,901	-	-	185,463	206,901
Highways and streets	121,283	125,599	-	-	121,283	125,599
Culture and recreation	153,860	181,344	-	-	153,860	181,344
Conservation of natural resources	3,748	4,809	-	-	3,748	4,809
Economic development	284,738	58,182	-	-	284,738	58,182
Interest	8,875	12,028	-	-	8,875	12,028
Sanitation	-	-	87,897	80,313	87,897	80,313
Sewer	-	-	90,550	81,332	90,550	81,332
Water	-	-	77,151	74,716	77,151	74,716
Total expenses	\$ 871,176	\$ 690,130	\$ 255,598	\$ 236,361	\$ 1,126,774	\$ 926,491
Increase (decrease) in net assets	\$ (5,341)	\$ (16,321)	\$ 744,059	\$ 41,217	\$ 738,718	\$ 24,896
Net assets, January 1	1,393,261	1,409,582	553,223	512,006	1,946,484	1,921,588
Net assets, December 31	\$ 1,387,920	\$ 1,393,261	\$ 1,297,282	\$ 553,223	\$ 2,685,202	\$ 1,946,484

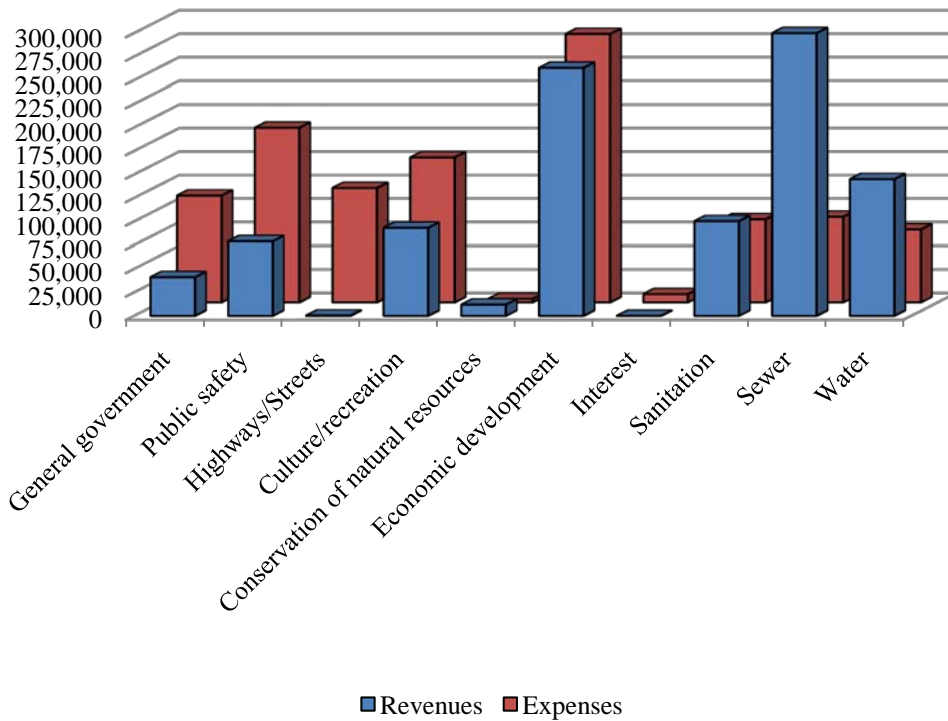
Revenues by Source



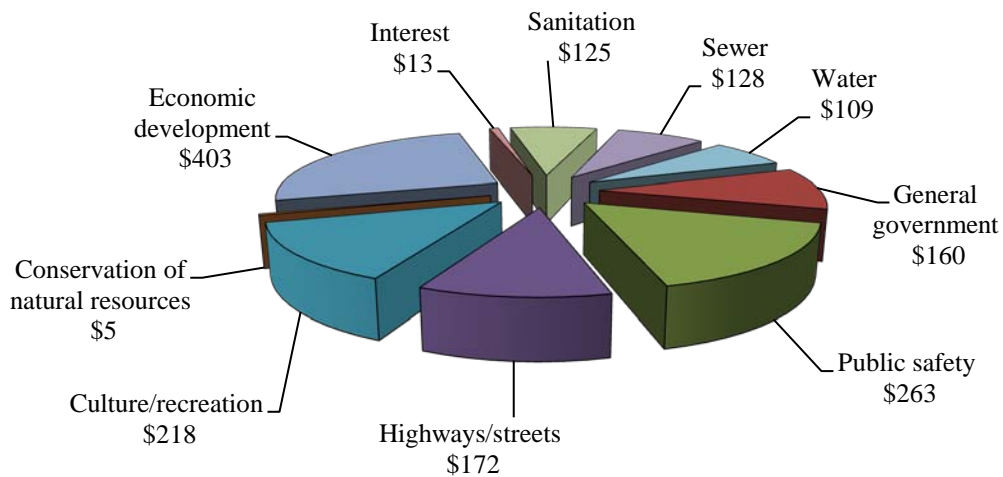
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 706 Population as of 07-01-09



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, unreserved 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 2010, the City's governmental funds reported combined ending fund balances of \$ 480,198. Of this amount, approximately eight percent constitutes legally or contractually reserved fund balance, 77 percent constitutes specifically designated fund balance, and 15 percent constitutes available unreserved, undesignated 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 \$296,539. The General Fund's reserved fund balance was \$16,215, the unreserved, designated fund balance was \$199,158, and the unreserved, undesignated fund balance was \$81,166. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance to total fund expenditures for 2010. Unreserved fund balances represents about 58 percent of total General Fund expenditures, while total fund balance represents about 62 percent of that same amount.

In 2010, the fund balance amount in the General Fund increased by \$14,573. The primary reason for this increase was the reassignment of non-current special assessments receivable with the closure of the Street Improvement Debt Service Fund.

The fund balance of the Fire Department Special Project/Equipment Special Revenue Fund increased \$29,941 from the prior year. This increase was due to reduced expenditures.

The fund balance of the RBEG Revolving Loan Special Revenue Fund increased \$3,025 from the prior year, as a result of repayment on loans.

The fund balance of the Small Cities Development Program Special Revenue Fund decreased \$20,928 from the prior year, due to the timing of expenditures which were reimbursed through Community Development Block Grants in early 2011.

Proprietary Fund

The Sanitation Enterprise Fund reported an operating income in 2010 of \$8,463, indicating that it is collecting fees for services at a rate consistent with costs.

The Sewer Enterprise Fund reported an operating income in 2010 of \$12,102, indicating that it is collecting fees for services at a rate higher than costs.

The Water Enterprise Fund reported an operating income in 2010 of \$85,125, indicating that it is collecting fees for services at a rate higher than costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$44,173. The largest positive variances were in special assessments, intergovernmental receipts, gifts and contributions, and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$37,688, largely as a result of unbudgeted expenditures for a police car.

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, 2010, amounted to \$4,204,545 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 52 percent. This increase was due to the ongoing construction in progress of the water system improvements.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 105,412	\$ 118,162	\$ 4,000	\$ 4,000	\$ 109,412	\$ 122,162
Construction in progress	-	-	1,610,653	1,359,955	1,610,653	1,359,955
Infrastructure	-	-	1,689,468	436,239	1,689,468	436,239
Buildings and improvements	480,150	508,634	7,799	8,233	487,949	516,867
Machinery and equipment	288,530	315,282	18,533	21,933	307,063	337,215
Total capital assets	<u>\$ 874,092</u>	<u>\$ 942,078</u>	<u>\$ 3,330,453</u>	<u>\$ 1,830,360</u>	<u>\$ 4,204,545</u>	<u>\$ 2,772,438</u>

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

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,418,520 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
G.O. Improvement Bonds of 1996	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Public Project Notes of 2001	113,516	130,756	-	-	113,516	130,756
G.O. Sewer Revenue Bonds of 2006	-	-	224,184	233,121	224,184	233,121
G.O. Temporary Water Revenue Bonds	-	-	-	1,065,000	-	1,065,000
G.O. Water Revenue Note	-	-	2,080,820	349,676	2,080,820	349,676
	<u>\$ 113,516</u>	<u>\$ 190,756</u>	<u>\$ 2,305,004</u>	<u>\$ 1,647,797</u>	<u>\$ 2,418,520</u>	<u>\$ 1,838,553</u>

Minnesota statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2010, 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

- Specific unemployment statistics for the City of Greenbush are not available. However, the unemployment rate for Roseau County was 5.3 percent as of December 31, 2010. This is lower than the statewide rate of 6.8 percent and the national average rate of 9.1 percent.
- Greenbush's 2009 population was 706, a decline of 78 since the 2000 census of 784.

- In 2010 the City continued construction of the Water Treatment Plant and completed the installation of water meters. The Water Treatment Plant started treating water for distribution in November.
- The City's next large infrastructure project that is in the planning stages is to replace the watermains on 4th Street S and 5th Street S. This project would also include asphalt overlays on these streets.
- On December 20, 2010, the City of Greenbush set its 2011 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 ASSETS
DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 187,308	\$ 184,344	\$ 371,652
Investments	287,340	87,356	374,696
Taxes receivable			
Current	4,463	-	4,463
Prior	8,982	423	9,405
Special assessments receivable			
Current	1,028	322	1,350
Prior	1,984	-	1,984
Accounts receivable	17,020	29,871	46,891
Accrued interest receivable	1,869	542	2,411
Due from other governments	9,937	45,362	55,299
Notes receivable	1,157	-	1,157
Loans receivable	124,152	-	124,152
Special assessments receivable - noncurrent	19,057	4,495	23,552
Capital assets			
Non-depreciable	105,412	1,614,653	1,720,065
Depreciable - net of accumulated depreciation	768,680	1,715,800	2,484,480
Total Assets	\$ 1,538,389	\$ 3,683,168	\$ 5,221,557
<u>Liabilities</u>			
Accounts payable	\$ 21,662	\$ 14,636	\$ 36,298
Salaries payable	3,914	1,668	5,582
Contracts payable	-	62,723	62,723
Due to other governments	3,191	1,855	5,046
Long-term liabilities			
Due within one year	23,416	74,885	98,301
Due in more than one year	98,286	2,230,119	2,328,405
Total Liabilities	\$ 150,469	\$ 2,385,886	\$ 2,536,355
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 760,576	\$ 1,025,449	\$ 1,786,025
Restricted for public safety	16,215	-	16,215
Unrestricted	611,129	271,833	882,962
Total Net Assets	\$ 1,387,920	\$ 1,297,282	\$ 2,685,202

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 113,209	\$ 41,199	\$ -
Public safety	185,463	33,585	45,485
Highways and streets	121,283	65	-
Culture and recreation	153,860	44,126	49,113
Conservation of natural resources	3,748	12,020	-
Economic development	284,738	20,889	230,550
Interest	8,875	-	-
Total governmental activities	\$ 871,176	\$ 151,884	\$ 325,148
Business-type activities			
Sanitation	\$ 87,897	\$ 96,360	\$ -
Sewer	90,550	92,522	-
Water	77,151	145,067	-
Total business-type activities	\$ 255,598	\$ 333,949	\$ -
Total	\$ 1,126,774	\$ 485,833	\$ 325,148

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 assets

Net assets - January 1

Net assets - December 31

EXHIBIT 2

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (72,010)	\$ -	\$ (72,010)
-	(106,393)	-	(106,393)
200	(121,018)	-	(121,018)
-	(60,621)	-	(60,621)
-	8,272	-	8,272
11,626	(21,673)	-	(21,673)
-	(8,875)	-	(8,875)
\$ 11,826	\$ (382,318)	\$ -	\$ (382,318)
\$ 3,949	\$ -	\$ 12,412	\$ 12,412
642,241	-	644,213	644,213
-	-	67,916	67,916
\$ 646,190	\$ -	\$ 724,541	\$ 724,541
\$ 658,016	\$ (382,318)	\$ 724,541	\$ 342,223
	\$ 141,113	\$ 9,082	\$ 150,195
	232,888	-	232,888
	6,998	1,436	8,434
	4,978	-	4,978
	(9,000)	9,000	-
	\$ 376,977	\$ 19,518	\$ 396,495
	\$ (5,341)	\$ 744,059	\$ 738,718
	1,393,261	553,223	1,946,484
	\$ 1,387,920	\$ 1,297,282	\$ 2,685,202

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Fire Department Special Project/ Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Other Governmental Funds (Statement 2)	Total Governmental Funds
Assets						
Cash and pooled investments	\$ 119,705	\$ 27,551	\$ 21,288	\$ -	\$ 34,303	\$ 202,847
Investments	186,933	95,242	-	-	5,165	287,340
Taxes receivable						
Current	4,463	-	-	-	-	4,463
Prior	8,982	-	-	-	-	8,982
Special assessments receivable						
Current	1,028	-	-	-	-	1,028
Prior	1,984	-	-	-	-	1,984
Accounts receivable	1,501	15,389	-	-	130	17,020
Accrued interest receivable	825	990	-	-	54	1,869
Due from other governments	189	-	-	9,748	-	9,937
Notes receivable	-	-	-	1,157	-	1,157
Loans receivable	-	-	124,152	-	-	124,152
Special assessments receivable - noncurrent	19,057	-	-	-	-	19,057
Total Assets	\$ 344,667	\$ 139,172	\$ 145,440	\$ 10,905	\$ 39,652	\$ 679,836
Liabilities and Fund Balances						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ 1,798	\$ 13,741	\$ 15,539
Accounts payable	11,000	-	-	9,748	914	21,662
Salaries payable	3,914	-	-	-	-	3,914
Due to other governments	3,191	-	-	-	-	3,191
Deferred revenue - unavailable	30,023	-	124,152	1,157	-	155,332
Total Liabilities	\$ 48,128	\$ -	\$ 124,152	\$ 12,703	\$ 14,655	\$ 199,638
Fund Balances						
Reserved for						
Economic development	\$ -	\$ -	\$ 21,288	\$ -	\$ -	\$ 21,288
Police NSF	2,168	-	-	-	-	2,168
Police contingency	470	-	-	-	-	470
Police DARE	13,577	-	-	-	-	13,577
Unreserved						
Designated for						
Cash flows	76,558	-	-	-	-	76,558
Fire department	-	139,172	-	-	-	139,172
Orange Bridge	10,000	-	-	-	-	10,000
Shop equipment	37,600	-	-	-	-	37,600
Street improvements	75,000	-	-	-	-	75,000
Undesignated	81,166	-	-	(1,798)	-	79,368
Unreserved, reported in nonmajor Special Revenue Funds	-	-	-	-	24,997	24,997
Total Fund Balances	\$ 296,539	\$ 139,172	\$ 21,288	(1,798)	\$ 24,997	\$ 480,198
Total Liabilities and Fund Balances	\$ 344,667	\$ 139,172	\$ 145,440	\$ 10,905	\$ 39,652	\$ 679,836

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund balances - total governmental funds (Exhibit 3)	\$	480,198
<p>Amounts reported for governmental activities in the Statement of Net Assets 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>		874,092
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		155,332
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences payable	\$ (8,186)	
Notes payable	(113,516)	(121,702)
Net assets of governmental activities (Exhibit 1)	\$	<u>1,387,920</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, 2010**

	General	Fire Department Special Project/ Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
Revenues						
Property taxes	\$ 143,696	\$ -	\$ -	\$ -	\$ -	\$ 143,696
Special assessments	18,458	-	-	-	200	18,658
Licenses and permits	3,890	-	-	-	-	3,890
Intergovernmental	251,634	-	-	230,550	-	482,184
Charges for services	52,483	2,956	-	-	23,126	78,565
Fines and forfeitures	1,472	-	-	-	-	1,472
Gifts and contributions	22,319	20,389	-	-	33,198	75,906
Investment earnings	3,141	3,055	-	169	633	6,998
Miscellaneous	44,877	7,115	3,025	8,665	11,445	75,127
Total Revenues	\$ 541,970	\$ 33,515	\$ 3,025	\$ 239,384	\$ 68,602	\$ 886,496
Expenditures						
Current						
General government	\$ 91,341	\$ -	\$ -	\$ -	\$ -	\$ 91,341
Public safety	122,221	11,574	-	-	-	133,795
Highways and streets	108,584	-	-	-	-	108,584
Culture and recreation	84,298	-	-	-	45,896	130,194
Conservation of natural resources	3,512	-	-	-	-	3,512
Economic development	5,000	-	-	260,312	16,559	281,871
Debt service						
Principal retirement	17,240	-	-	-	60,000	77,240
Interest	6,958	-	-	-	1,917	8,875
Capital outlay						
Public safety	27,443	-	-	-	-	27,443
Culture and recreation	15,132	-	-	-	-	15,132
Total Expenditures	\$ 481,729	\$ 11,574	\$ -	\$ 260,312	\$ 124,372	\$ 877,987
Excess of Revenues Over (Under) Expenditures	\$ 60,241	\$ 21,941	\$ 3,025	\$ (20,928)	\$ (55,770)	\$ 8,509
Other Financing Sources (Uses)						
Transfers in	\$ 30,255	\$ 8,000	\$ -	\$ -	\$ 58,923	\$ 97,178
Transfers out	(75,923)	-	-	-	(30,255)	(106,178)
Total Other Financing Sources (Uses)	\$ (45,668)	\$ 8,000	\$ -	\$ -	\$ 28,668	\$ (9,000)
Net Change in Fund Balance	\$ 14,573	\$ 29,941	\$ 3,025	\$ (20,928)	\$ (27,102)	\$ (491)
Fund Balance - January 1	281,966	109,231	18,263	19,130	52,099	480,689
Fund Balance - December 31	\$ 296,539	\$ 139,172	\$ 21,288	\$ (1,798)	\$ 24,997	\$ 480,198

**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, 2010**

Net change in fund balance - total governmental funds (Exhibit 5)	\$	(491)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>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.</p>		
Expenditures for general capital assets	\$ 42,575	
Net book value of assets disposed	(21,399)	
Current year depreciation	(89,162)	(67,986)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>		
Change in		
Taxes and special assessments receivable	\$ (9,415)	
Loans receivable	(2,246)	(11,661)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Principal repayments		
Notes payable	\$ 17,240	
General obligation bonds	60,000	77,240
<p>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.</p>		
Change in compensated absences payable		(2,443)
Change in net assets of governmental activities (Exhibit 2)	\$	(5,341)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 65,153	\$ 95,946	\$ 23,245	\$ 184,344
Investments	46,590	-	40,766	87,356
Taxes receivable - delinquent	-	423	-	423
Special assessments receivable - current	-	284	38	322
Accounts receivable	9,045	7,919	12,907	29,871
Due from other governments	-	-	45,362	45,362
Accrued interest receivable	289	-	253	542
Total Current Assets	\$ 121,077	\$ 104,572	\$ 122,571	\$ 348,220
Noncurrent Assets				
Special assessments receivable	\$ -	\$ 2,248	\$ 2,247	\$ 4,495
Capital assets				
Non-depreciable	-	-	1,614,653	1,614,653
Depreciable - net of accumulated depreciation	-	408,817	1,306,983	1,715,800
Total Noncurrent Assets	\$ -	\$ 411,065	\$ 2,923,883	\$ 3,334,948
Total Assets	\$ 121,077	\$ 515,637	\$ 3,046,454	\$ 3,683,168
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 78	\$ 13,246	\$ 1,312	\$ 14,636
Salaries payable	-	834	834	1,668
Contracts payable	-	-	62,723	62,723
Due to other governments	779	474	602	1,855
General obligation revenue bonds payable	-	9,295	-	9,295
General obligation revenue note payable	-	-	65,590	65,590
Total Current Liabilities	\$ 857	\$ 23,849	\$ 131,061	\$ 155,767
Noncurrent Liabilities				
General obligation revenue bonds payable	\$ -	\$ 214,889	\$ -	\$ 214,889
General obligation revenue note payable	-	-	2,015,230	2,015,230
Total Noncurrent Liabilities	\$ -	\$ 214,889	\$ 2,015,230	\$ 2,230,119
Total Liabilities	\$ 857	\$ 238,738	\$ 2,146,291	\$ 2,385,886
<u>Net Assets</u>				
Invested in capital assets, net of related debt	\$ -	\$ 184,633	\$ 840,816	\$ 1,025,449
Unrestricted	120,220	92,266	59,347	271,833
Total Net Assets	\$ 120,220	\$ 276,899	\$ 900,163	\$ 1,297,282

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Operating Revenues				
Charges for services	\$ 96,360	\$ 92,522	\$ 139,366	\$ 328,248
Miscellaneous	-	-	5,701	5,701
Total Operating Revenues	\$ 96,360	\$ 92,522	\$ 145,067	\$ 333,949
Operating Expenses				
Personal services	\$ -	\$ 11,408	\$ 11,408	\$ 22,816
Payroll tax/benefits	-	4,233	4,233	8,466
Contracted services	87,897	-	-	87,897
Insurance	-	1,594	2,480	4,074
Permits	-	890	2,032	2,922
Postage	-	395	326	721
Repairs and maintenance	-	8,536	1	8,537
Staff training	-	592	132	724
Supplies	-	27,210	27,493	54,703
Telephone	-	-	332	332
Utilities	-	2,617	4,879	7,496
Miscellaneous	-	1,023	2,242	3,265
Depreciation	-	21,922	4,384	26,306
Total Operating Expenses	\$ 87,897	\$ 80,420	\$ 59,942	\$ 228,259
Operating Income (Loss)	\$ 8,463	\$ 12,102	\$ 85,125	\$ 105,690
Nonoperating Revenues (Expenses)				
Property taxes	\$ -	\$ 9,082	\$ -	\$ 9,082
Special assessments	-	2,532	1,417	3,949
Intergovernmental revenue	-	-	642,241	642,241
Investment earnings	766	-	670	1,436
Interest expense	-	(10,130)	(17,209)	(27,339)
Total Nonoperating Revenues (Expenses)	\$ 766	\$ 1,484	\$ 627,119	\$ 629,369
Income (Loss) Before Transfers	\$ 9,229	\$ 13,586	\$ 712,244	\$ 735,059
Transfers in	-	-	9,000	9,000
Change in Net Assets	\$ 9,229	\$ 13,586	\$ 721,244	\$ 744,059
Net Assets - January 1	110,991	263,313	178,919	553,223
Net Assets - December 31	\$ 120,220	\$ 276,899	\$ 900,163	\$ 1,297,282

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 99,946	\$ 95,356	\$ 145,724	\$ 341,026
Payments to employees	-	(16,046)	(16,046)	(32,092)
Payments to suppliers	(88,668)	(29,871)	(43,767)	(162,306)
Net cash provided by (used in) operating activities	\$ 11,278	\$ 49,439	\$ 85,911	\$ 146,628
Cash Flows from Noncapital Financing Activities				
Property taxes received	\$ -	\$ 8,659	\$ -	\$ 8,659
Transfers in	-	-	9,000	9,000
Net cash provided by (used in) noncapital financing activities	\$ -	\$ 8,659	\$ 9,000	\$ 17,659
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	\$ -	\$ (8,937)	\$ -	\$ (8,937)
Interest paid on bonds	-	(10,130)	-	(10,130)
Principal paid on Public Facilities Authority notes	-	-	(46,635)	(46,635)
Interest paid on Public Facilities Authority notes	-	-	(17,209)	(17,209)
Principal paid on temporary revenue bonds	-	-	(1,068,610)	(1,068,610)
Capital outlay for construction in progress	-	-	(1,463,676)	(1,463,676)
Proceeds from debt issued	-	-	1,732,417	1,732,417
Intergovernmental revenue	-	-	642,241	642,241
Special assessments received	-	-	1,204	1,204
Net cash provided by (used in) capital and related financing activities	\$ -	\$ (19,067)	\$ (220,268)	\$ (239,335)
Cash Flows from Investing Activities				
Investment earnings received	\$ 823	\$ -	\$ 720	\$ 1,543
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,101	\$ 39,031	\$ (124,637)	\$ (82,505)
Cash and Cash Equivalents at January 1	99,642	56,915	188,648	345,205
Cash and Cash Equivalents at December 31	\$ 111,743	\$ 95,946	\$ 64,011	\$ 262,700

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
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)	\$ 8,463	\$ 12,102	\$ 85,125	\$ 105,690
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 21,922	\$ 4,384	\$ 26,306
Decrease (increase) in assets				
Accounts receivable	709	540	529	1,778
Special assessments receivable	2,098	2,294	-	4,392
Increase (decrease) in liabilities				
Accounts payable	78	13,057	(3,521)	9,614
Salaries payable	-	438	438	876
Due to other governments	(70)	(914)	(1,044)	(2,028)
Total adjustments	\$ 2,815	\$ 37,337	\$ 786	\$ 40,938
Net cash provided by (used in) operating activities	\$ 11,278	\$ 49,439	\$ 85,911	\$ 146,628

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, the City has chosen not to do so. 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 assets 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 assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 and transfers.

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Department Special Project/Equipment Special Revenue Fund is used to account for contributions, intergovernmental revenues, and miscellaneous revenues contributed by volunteer firemen, for a long-term fire protection equipment plan on behalf of fire department special projects and equipment needs.

The RBEG Revolving Loan Special Revenue Fund is used to account for the economic development loans to commercial properties.

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

The Sanitation Enterprise Fund is used to account for the operations of the garbage collection system.

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 types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general obligation long-term debt.

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

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

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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets 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.

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, 2010, based on market prices. Investment earnings on cash and investments are allocated to the funds. City funds also participate in a pooled checking account for operating purposes. Pooled investment earnings for 2010 were \$3,141. Total investment earnings for 2010 were \$8,434.

3. Receivables and Payables

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2002 through 2010 and deferred special assessments collectible in 2011 and beyond. Taxes receivable are offset by deferred revenue for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

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

Notes and loans receivable consist of rehabilitation and business loans. Notes and loans receivable are offset by deferred revenue 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

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

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	10-30
Buildings and improvements	30
Machinery and equipment	5-15

5. Compensated Absences

The liability for compensated absences reported in financial statements consists of the unpaid, accumulated annual vacation balance. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Deferred Revenue

Governmental funds report deferred revenue in conjunction with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in conjunction with resources that have been received, but not yet earned.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. In the fund financial statements, governmental fund types recognize the face amount of debt as other financing sources when issued.

8. Net Assets and Fund Balance

Certain funds of the City are classified as restricted net assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Economic Development Incubator Special Revenue Fund had a deficit fund balance of \$14,365 as of December 31, 2010. The deficit is a result of expenses over several years in excess of revenues.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

The Small Cities Development Program Special Revenue Fund had a deficit fund balance of \$1,798 as of December 31, 2010.

B. Excess of Expenditures Over Budget – Nonmajor Funds

The following nonmajor funds had expenditures in excess of budget as of December 31, 2010:

	Expenditures	Budget	Excess
Economic Development Leased Property Special Revenue Fund	\$ 3,798	\$ -	\$ (3,798)
Legion Park Special Revenue Fund	22,761	2,050	(20,711)

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City’s total deposits and investments to the basic financial statements, as of December 31, 2010, are as follows:

Government-wide Statement of Net Assets	
Governmental Activities	
Cash and pooled investments	\$ 187,308
Investments	287,340
Business-type Activities	
Cash and pooled investments	184,344
Investments	87,356
Total Cash and Investments	\$ 746,348
Deposits	\$ 746,248
Petty cash and change funds	100
Total Deposits and Cash on Hand	\$ 746,348

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Deposits (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 does not have a deposit policy for custodial credit risk. However, the City complies with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2010, the City's deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2010, 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	\$ 13,445	\$ -
Special Assessments	22,069	19,057
Accounts	17,020	-
Accrued interest	1,869	-
Due from other governments	9,937	-
Notes	1,157	-
Loans	124,152	124,152
	<u>124,152</u>	<u>124,152</u>
Total Governmental Activities	<u>\$ 189,649</u>	<u>\$ 143,209</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Business-Type Activities		
Taxes	\$ 423	\$ -
Special assessments	4,817	4,495
Accounts	29,871	-
Accrued interest	542	-
Due from other governments	45,362	-
	<u>81,015</u>	<u>4,495</u>
Total Business-Type Activities	<u>\$ 81,015</u>	<u>\$ 4,495</u>

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2010, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 118,162	\$ -	\$ 12,750	\$ 105,412
Capital assets being depreciated				
Buildings and improvements	\$ 1,007,480	\$ -	\$ -	\$ 1,007,480
Machinery and equipment	675,828	42,575	17,299	701,104
Total capital assets being depreciated	<u>\$ 1,683,308</u>	<u>\$ 42,575</u>	<u>\$ 17,299</u>	<u>\$ 1,708,584</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 498,846	\$ 28,484	\$ -	\$ 527,330
Machinery and equipment	360,546	60,678	8,650	412,574
Total accumulated depreciation	<u>\$ 859,392</u>	<u>\$ 89,162</u>	<u>\$ 8,650</u>	<u>\$ 939,904</u>
Total capital assets, depreciated, net	<u>\$ 823,916</u>	<u>\$ (46,587)</u>	<u>\$ 8,649</u>	<u>\$ 768,680</u>
Governmental Activities Capital Assets, Net	<u>\$ 942,078</u>	<u>\$ (46,587)</u>	<u>\$ 21,399</u>	<u>\$ 874,092</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	1,359,955	1,313,370	1,062,672	1,610,653
Total capital assets not depreciated	\$ 1,363,955	\$ 1,313,370	\$ 1,062,672	\$ 1,614,653
Capital assets being depreciated				
Infrastructure	\$ 751,943	\$ 1,275,701	\$ -	\$ 2,027,644
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	48,027	-	-	48,027
Total capital assets being depreciated	\$ 812,970	\$ 1,275,701	\$ -	\$ 2,088,671
Less: accumulated depreciation for				
Infrastructure	\$ 315,704	\$ 22,472	\$ -	\$ 338,176
Buildings and improvements	4,767	434	-	5,201
Machinery and equipment	26,094	3,400	-	29,494
Total accumulated depreciation	\$ 346,565	\$ 26,306	\$ -	\$ 372,871
Total capital assets, depreciated, net	\$ 466,405	\$ 1,249,395	\$ -	\$ 1,715,800
Business-Type Activities				
Capital Assets, Net	\$ 1,830,360	\$ 2,562,765	\$ 1,062,672	\$ 3,330,453

Depreciation Expense

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

Governmental Activities	
Public safety	\$ 51,114
Highways and streets	11,279
Culture and recreation	23,666
Conservation of natural resources	236
Economic development	2,867
Total Depreciation Expense - Governmental Activities	\$ 89,162
Business-Type Activities	
Sewer	\$ 21,922
Water	4,384
Total Depreciation Expense - Business-Type Activities	\$ 26,306

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following operating transfers:

Transfer to General Fund from Other Governmental	\$ 30,255	To close debt service fund
Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	8,000	To cover operating expenses
Transfer to Other Governmental from General Fund	58,923	Debt service
Transfer to Water Enterprise Fund from General Fund	<u>9,000</u>	To cover operating expenses
Total Interfund Transfers	<u>\$ 106,178</u>	

These amounts will not be paid back.

C. Liabilities

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of December 31, 2010, the components of deferred unavailable revenue reported in the governmental funds were as follows:

	<u>Deferred Unavailable</u>
Taxes	\$ 8,982
Special Assessments	21,041
Notes receivable	1,157
Loans receivable	<u>124,152</u>
Total Deferred Revenue	<u>\$ 155,332</u>

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.

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$16,147 at December 31, 2010, is available to full-time employees in the event of illness-related absences and is not paid to them at termination.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Long-Term Debt

Governmental Activities

City of Greenbush General Obligation Improvement Bonds of 1996 represent debt incurred for street improvements. These bonds have an original issue amount of \$270,000. They carry an interest rate from 5.41 to 5.75 percent and are due in annual installments of \$20,000 through February 1, 2012. These bonds were paid off in 2010 and a savings of \$3,473 in interest was realized by paying off early.

City of Greenbush Public Project Notes of 2001, from the Minnesota Public Facilities Authority, represent debt incurred for economic development. These bonds have an original issue amount of \$245,000. They carry a net interest rate of 5.5 percent, and are due in annual installments of \$11,775 to \$22,613 through February 1, 2016. The balance outstanding at December 31, 2010 is \$113,516.

Business-Type Activities

City of Greenbush General Obligation Water and Sewer Revenue Bonds of 2006 represent debt incurred for improvements made to the sewer main and pond. These bonds have an original issue amount of \$250,000. They carry a net interest rate of 4.42 percent, and are due in annual installments of \$9,295 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2010 is \$224,184.

City of Greenbush General Obligation Temporary Water Revenue Bonds of 2009 represent debt incurred for improvements made to the water system. These bonds have an original issue amount of \$1,068,610, which includes a premium of \$3,610, and they carry a net interest rate of 2.00 percent. These bonds were paid off in 2010 with the General Obligation Water Revenue Note of 2009.

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 1.005 percent and is due in annual installments of between \$42,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2010 is \$1,412,476.

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 \$149,246 projected for April, 2011. It carries a net interest rate of 1.146 percent and is due in annual installments of between \$23,590 and \$31,000. The balance due on December 31, 2010 is \$668,344.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2010, are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Public Project Notes of 2001</u>		<u>General Obligation Water and Sewer Revenue Bonds of 2006</u>		<u>General Obligation Water Revenue Note of 2009</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 18,202	\$ 5,996	\$ 9,295	\$ 9,773	\$ 65,590	\$ 21,457
2012	19,217	4,981	9,666	9,401	67,000	22,872
2013	20,289	3,909	10,057	9,009	68,000	22,165
2014	21,420	2,779	10,465	8,602	68,000	21,447
2015	22,613	1,585	10,894	8,173	69,000	20,728
2016-2020	11,775	324	61,708	33,627	356,000	92,571
2021-2025	-	-	76,444	18,891	376,000	73,332
2026-2030	-	-	35,655	2,479	394,000	53,099
2031-2035	-	-	-	-	397,754	31,782
2036-2039	-	-	-	-	219,476	7,054
	<u>\$ 113,516</u>	<u>\$ 19,574</u>	<u>\$ 224,184</u>	<u>\$ 99,955</u>	<u>\$ 2,080,820</u>	<u>\$ 366,507</u>

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Improvement Bonds of 1996	\$ 60,000	\$ -	\$ 60,000	\$ -	\$ -
Public Project Notes of 2001	130,756	-	17,240	113,516	18,202
Compensated Absences	5,743	9,578	7,135	8,186	5,214
Governmental Activities Long-Term Liabilities	<u>\$ 196,499</u>	<u>\$ 9,578</u>	<u>\$ 84,375</u>	<u>\$ 121,702</u>	<u>\$ 23,416</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long-Term Liabilities (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 233,121	\$ -	\$ 8,937	\$ 224,184	\$ 9,295
General Obligation Temporary Water Revenue Bonds of 2009	1,065,000	-	1,065,000	-	-
Add: bond premium	3,610		3,610	-	-
General Obligation Water Revenue Note of 2009 - MPFA	<u>349,676</u>	<u>1,777,779</u>	<u>46,635</u>	<u>2,080,820</u>	<u>65,590</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,651,407</u>	<u>\$ 1,777,779</u>	<u>\$ 1,124,182</u>	<u>\$ 2,305,004</u>	<u>\$ 74,885</u>

IV. Pension Plans

Defined Benefit Plans

Plan Description

All part-time employees of the City of Greenbush are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employees police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Pension Plans

Defined Benefit Plans

Plan Description (Continued)

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary in 2010. Public Employees Police and Fire Fund members were required to contribute 9.40 percent of their annual covered salary in 2010. Contribution rates in the Coordinated Plan and the Police and Fire Fund increased in 2011 to 6.25 and 9.60 percent, respectively. The City is required to contribute the following percentages of annual covered payroll:

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Pension Plans

Defined Benefit Plans

Funding Policy (Continued)

	<u>2010</u>	<u>2011</u>
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	7.00	7.25
Public Employees Police and Fire Fund	14.10	14.40

The City's contributions for the years ending December 31, 2010, 2009, and 2008, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>
2010	\$ 5,857	\$ 5,669
2009	4,680	5,711
2008	3,963	5,781

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

V. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

B. Risk Management

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 183,470	\$ 183,470	\$ 143,696	\$ (39,774)
Special assessments	-	-	18,458	18,458
Licenses and permits	3,470	3,470	3,890	420
Intergovernmental	238,438	238,438	251,634	13,196
Charges for services	54,051	54,051	52,483	(1,568)
Fines and forfeitures	1,500	1,500	1,472	(28)
Gifts and contributions	7,000	7,000	22,319	15,319
Investment earnings	500	500	3,141	2,641
Miscellaneous	9,368	9,368	44,877	35,509
Total Revenues	\$ 497,797	\$ 497,797	\$ 541,970	\$ 44,173
Expenditures				
General government				
Mayor/council	\$ 8,500	\$ 8,500	\$ 8,445	\$ 55
City clerk/treasurer	31,500	31,500	31,840	(340)
Professional services	4,400	4,400	4,400	-
Legal	1,500	1,500	1,681	(181)
Elections	3,000	3,000	2,286	714
Travel and schools	2,000	2,000	1,495	505
Assessor	3,000	3,000	3,056	(56)
Airport	-	-	193	(193)
Real estate taxes	950	950	1,173	(223)
Utilities	9,000	9,000	7,683	1,317
Insurance	11,100	11,100	13,936	(2,836)
Other general government	13,900	13,900	15,153	(1,253)
Total general government	\$ 88,850	\$ 88,850	\$ 91,341	\$ (2,491)
Public safety				
Police	\$ 70,250	\$ 70,250	\$ 67,482	\$ 2,768
Fire	32,185	32,185	34,406	(2,221)
Fire relief association	10,000	10,000	15,629	(5,629)
Ambulance	4,704	4,704	4,704	-
Total public safety	\$ 117,139	\$ 117,139	\$ 122,221	\$ (5,082)
Highways and streets				
Streets and alleys	\$ 91,450	\$ 91,450	\$ 90,725	\$ 725
Street lighting	18,000	18,000	17,859	141
Total highways and streets	\$ 109,450	\$ 109,450	\$ 108,584	\$ 866

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Culture and recreation				
Ice rinks	\$ 1,150	\$ 1,150	\$ 844	\$ 306
Library	18,104	18,104	15,447	2,657
Parks	20,250	20,250	14,326	5,924
Recreational programs	9,800	9,800	7,917	1,883
Swimming pool	49,200	49,200	45,494	3,706
Other culture and recreation	900	900	270	630
Total culture and recreation	\$ 99,404	\$ 99,404	\$ 84,298	\$ 15,106
Conservation of natural resources				
Weed and pest control	\$ 5,000	\$ 5,000	\$ 3,512	\$ 1,488
Economic development				
Other economic development	\$ -	\$ -	\$ 5,000	\$ (5,000)
Debt service				
Principal retirement	\$ 17,240	\$ 17,240	\$ 17,240	\$ -
Interest	6,958	6,958	6,958	-
Total debt service	\$ 24,198	\$ 24,198	\$ 24,198	\$ -
Capital outlay				
Public safety	\$ -	\$ -	\$ 27,443	\$ (27,443)
Culture and recreation	-	-	15,132	(15,132)
Total capital outlay	\$ -	\$ -	\$ 42,575	\$ (42,575)
Total Expenditures	\$ 444,041	\$ 444,041	\$ 481,729	\$ (37,688)
Excess of Revenues Over (Under) Expenditures	\$ 53,756	\$ 53,756	\$ 60,241	\$ 6,485
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 30,255	\$ (30,255)
Transfers out	30,700	30,700	(75,923)	106,623
Total other financing sources (uses)	\$ 30,700	\$ 30,700	\$ (45,668)	\$ 76,368
Net Change in Fund Balance	\$ 84,456	\$ 84,456	\$ 14,573	\$ (69,883)
Fund Balance - January 1	281,966	281,966	281,966	-
Fund Balance - December 31	\$ 366,422	\$ 366,422	\$ 296,539	\$ (69,883)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 10,956	\$ 10,956	\$ 2,956	\$ (8,000)
Gifts and contributions	-	-	20,389	20,389
Investment earnings	-	-	3,055	3,055
Miscellaneous	2,000	2,000	7,115	5,115
Total Revenues	\$ 12,956	\$ 12,956	\$ 33,515	\$ 20,559
Expenditures				
Current				
Public safety				
Fire	2,000	2,000	11,574	(9,574)
Excess of Revenues Over (Under) Expenditures	\$ 10,956	\$ 10,956	\$ 21,941	\$ 10,985
Other Financing Sources (Uses)				
Transfers in	-	-	8,000	8,000
Net Change in Fund Balance	\$ 10,956	\$ 10,956	\$ 29,941	\$ 18,985
Fund Balance - January 1	109,231	109,231	109,231	-
Fund Balance - December 31	\$ 120,187	\$ 120,187	\$ 139,172	\$ 18,985

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 5,409	\$ 5,409	\$ 3,025	\$ (2,384)
Fund Balance - January 1	<u>18,263</u>	<u>18,263</u>	<u>18,263</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 23,672</u>	<u>\$ 23,672</u>	<u>\$ 21,288</u>	<u>\$ (2,384)</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SMALL CITIES DEVELOPMENT PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 224,652	\$ 230,550	\$ 5,898
Investment earnings	-	-	169	169
Miscellaneous	2,000	25,604	8,665	(16,939)
Total Revenues	\$ 2,000	\$ 250,256	\$ 239,384	\$ (10,872)
Expenditures				
Current				
Economic development				
Other economic development	2,000	250,256	260,312	(10,056)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (20,928)	\$ (20,928)
Fund Balance - January 1	19,130	19,130	19,130	-
Fund Balance - December 31	\$ 19,130	\$ 19,130	\$ (1,798)	\$ (20,928)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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. Public hearings are held at the county level. The final budget is approved in December and a certified levy is sent to Roseau County.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservation of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

II. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2010:

	Expenditures	Budget	Excess
General Fund			
General government			
City clerk/treasurer	\$ 31,840	\$ 31,500	\$ (340)
Legal	1,681	1,500	(181)
Assessor	3,056	3,000	(56)
Airport	193	-	(193)
Real estate taxes	1,173	950	(223)
Insurance	13,936	11,100	(2,836)
Other general government	15,153	13,900	(1,253)
Public safety			
Fire	34,406	32,185	(2,221)
Fire relief association	15,629	10,000	(5,629)
Economic development			
Other economic development	5,000	-	(5,000)
Capital outlay			
Public safety	27,443	-	(27,443)
Culture and recreation	15,132	-	(15,132)
Fire Department Special Project/Equipment			
Special Revenue Fund			
Public safety			
Fire	11,574	2,000	(9,574)
Small Cities Development Program			
Special Revenue Fund			
Economic development			
Other economic development	260,312	250,256	(10,056)

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Economic Development Incubator Special Revenue Fund is used to account for activities to maintain favorable environmental conditions for economic development at attractive and affordable rates.

The Economic Development Leased Property Special Revenue Fund is used to account for economic development of leased properties.

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

The General Special Projects Special Revenue Fund is used to account for special projects funded by donations as specified by contributors.

The Legion Park Special Revenue Fund is used to account for the financial transactions of the Legion Park funded by camping fees and contributions from American Legion Post 88.

Debt Service Fund

The Street Improvement Debt Service Fund is used to account for debt incurred for street improvements. Financing is provided by a general levy and special assessments levied for the repayment of debt. This fund was closed in 2010.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 1

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Special Revenue Funds (Statement 3)	Street Improvement Debt Service	Total (Exhibit 5)
Revenues			
Special assessments	\$ -	\$ 200	\$ 200
Charges for services	23,126	-	23,126
Gifts and contributions	33,198	-	33,198
Investment earnings	166	467	633
Miscellaneous	11,445	-	11,445
Total Revenues	\$ 67,935	\$ 667	\$ 68,602
Expenditures			
Current			
Culture and recreation	\$ 45,896	\$ -	\$ 45,896
Economic development	16,559	-	16,559
Debt service			
Principal retirement	-	60,000	60,000
Interest	-	1,917	1,917
Total Expenditures	\$ 62,455	\$ 61,917	\$ 124,372
Excess of Revenues Over (Under) Expenditures	\$ 5,480	\$ (61,250)	\$ (55,770)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 58,923	\$ 58,923
Transfers out	-	(30,255)	(30,255)
Total Other Financing Sources (Uses)	\$ -	\$ 28,668	\$ 28,668
Net Change in Fund Balance	\$ 5,480	\$ (32,582)	\$ (27,102)
Fund Balance - January 1	19,517	32,582	52,099
Fund Balance - December 31	\$ 24,997	\$ -	\$ 24,997

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2010**

	Economic Development Incubator	Economic Development Leased Property	Fire Department
<u>Assets</u>			
Cash and pooled investments	\$ -	\$ 7,012	\$ 4,029
Investments	-	-	5,165
Accounts receivable	130	-	-
Accrued interest receivable	-	-	54
Total Assets	\$ 130	\$ 7,012	\$ 9,248
<u>Liabilities and Fund Balances</u>			
Liabilities			
Cash overdraft	\$ 13,741	\$ -	\$ -
Accounts payable	754	-	-
Total Liabilities	\$ 14,495	\$ -	\$ -
Fund Balances			
Unreserved			
Designated for			
Culture and recreation	\$ -	\$ -	\$ -
Economic development	-	7,012	-
Fire department	-	-	9,248
Undesignated	(14,365)	-	-
Total Fund Balance	\$ (14,365)	\$ 7,012	\$ 9,248
Total Liabilities and Fund Balances	\$ 130	\$ 7,012	\$ 9,248

Statement 2

<u>General Special Projects</u>	<u>Legion Park</u>	<u>Total (Exhibit 3)</u>
\$ 16,821	\$ 6,441	\$ 34,303
-	-	5,165
-	-	130
-	-	54
<u>\$ 16,821</u>	<u>\$ 6,441</u>	<u>\$ 39,652</u>
\$ -	\$ -	\$ 13,741
160	-	914
<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 14,655</u>
\$ 16,661	\$ -	\$ 16,661
-	-	7,012
-	-	9,248
-	6,441	(7,924)
<u>\$ 16,661</u>	<u>\$ 6,441</u>	<u>\$ 24,997</u>
<u>\$ 16,821</u>	<u>\$ 6,441</u>	<u>\$ 39,652</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Economic Development Incubator</u>	<u>Economic Development Leased Property</u>	<u>Fire Department</u>
Revenues			
Charges for services	\$ -	\$ -	\$ -
Gifts and contributions	-	-	2,850
Investment earnings	-	-	166
Miscellaneous	9,520	1,925	-
Total Revenues	\$ 9,520	\$ 1,925	\$ 3,016
Expenditures			
Current			
Culture and recreation	\$ -	\$ -	\$ -
Economic development	12,761	3,798	-
Total Expenditures	\$ 12,761	\$ 3,798	\$ -
Excess of Revenues Over (Under) Expenditures	\$ (3,241)	\$ (1,873)	\$ 3,016
Fund Balance - January 1	(11,124)	8,885	6,232
Fund Balance - December 31	\$ (14,365)	\$ 7,012	\$ 9,248

Statement 3

<u>General Special Projects</u>	<u>Legion Park</u>	<u>Total (Statement 1)</u>
\$ -	\$ 23,126	\$ 23,126
30,294	54	33,198
-	-	166
-	-	11,445
<u>\$ 30,294</u>	<u>\$ 23,180</u>	<u>\$ 67,935</u>
\$ 23,135	\$ 22,761	\$ 45,896
-	-	16,559
<u>\$ 23,135</u>	<u>\$ 22,761</u>	<u>\$ 62,455</u>
\$ 7,159	\$ 419	\$ 5,480
<u>9,502</u>	<u>6,022</u>	<u>19,517</u>
<u>\$ 16,661</u>	<u>\$ 6,441</u>	<u>\$ 24,997</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT INCUBATOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 9,700	\$ 9,700	\$ 9,520	\$ (180)
Expenditures				
Current				
Economic development				
Incubator	17,775	17,775	12,761	5,014
Excess of Revenues Over (Under)				
Expenditures	\$ (8,075)	\$ (8,075)	\$ (3,241)	\$ 4,834
Fund Balance - January 1	<u>(11,124)</u>	<u>(11,124)</u>	<u>(11,124)</u>	<u>-</u>
Fund Balance - December 31	<u>\$ (19,199)</u>	<u>\$ (19,199)</u>	<u>\$ (14,365)</u>	<u>\$ 4,834</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT LEASED PROPERTY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 2,100	\$ 2,100	\$ 1,925	\$ (175)
Expenditures				
Economic development	-	-	3,798	(3,798)
Excess of Revenues Over (Under) Expenditures	\$ 2,100	\$ 2,100	\$ (1,873)	\$ 3,623
Fund Balance - January 1	8,885	8,885	8,885	-
Fund Balance - December 31	<u>\$ 10,985</u>	<u>\$ 10,985</u>	<u>\$ 7,012</u>	<u>\$ 3,623</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 2,850	\$ 2,100
Investment earnings	-	-	166	166
Total Revenues	\$ 750	\$ 750	\$ 3,016	\$ 2,266
Expenditures				
Current				
Public safety				
Fire protection	100	100	-	100
Excess of Revenues Over (Under)				
Expenditures	\$ 650	\$ 650	\$ 3,016	\$ 2,366
Fund Balance - January 1	6,232	6,232	6,232	-
Fund Balance - December 31	\$ 6,882	\$ 6,882	\$ 9,248	\$ 2,366

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
GENERAL SPECIAL PROJECTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gifts and contributions	\$ -	\$ 30,000	\$ 30,294	\$ 294
Expenditures				
Current				
Culture and recreation				
Other culture and recreation	-	30,000	23,135	6,865
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 7,159	\$ 7,159
Fund Balance - January 1	<u>9,502</u>	<u>9,502</u>	<u>9,502</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 9,502</u>	<u>\$ 9,502</u>	<u>\$ 16,661</u>	<u>\$ 7,159</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
LEGION PARK SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,700	\$ 1,700	\$ 23,126	\$ 21,426
Gifts and contributions	-	-	54	54
Total Revenues	\$ 1,700	\$ 1,700	\$ 23,180	\$ 21,480
Expenditures				
Current				
Culture and recreation				
Legion Park	-	-	1,424	(1,424)
Oakview Golf Course	2,050	2,050	21,337	(19,287)
Total Expenditures	\$ 2,050	\$ 2,050	\$ 22,761	\$ (20,711)
Excess of Revenues Over (Under) Expenditures	\$ (350)	\$ (350)	\$ 419	\$ 769
Fund Balance - January 1	6,022	6,022	6,022	-
Fund Balance - December 31	\$ 5,672	\$ 5,672	\$ 6,441	\$ 769

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
STREET IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Special assessments	-	-	200	200
Investment earnings	-	-	467	467
Total Revenues	\$ 25,000	\$ 25,000	\$ 667	\$ (24,333)
Expenditures				
Debt service				
Principal retirement	\$ 22,990	\$ 22,990	\$ 60,000	\$ (37,010)
Interest	-	-	1,917	(1,917)
Total Expenditures	\$ 22,990	\$ 22,990	\$ 61,917	\$ (38,927)
Excess of Revenues Over (Under) Expenditures	\$ 2,010	\$ 2,010	\$ (61,250)	\$ (63,260)
Other financing sources				
Transfers in	\$ -	\$ -	\$ 58,923	\$ (58,923)
Transfers out	-	-	(30,255)	30,255
Total Other Financing Sources	\$ -	\$ -	\$ 28,668	\$ (28,668)
Net Change in Fund Balance	\$ 2,010	\$ 2,010	\$ (32,582)	\$ (91,928)
Fund Balance - January 1	32,582	32,582	32,582	-
Fund Balance - December 31	\$ 34,592	\$ 34,592	\$ -	\$ (91,928)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 11

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Shared Revenue

State

Fire state aid	\$	13,093
Bovine tuberculosis credit		54
Local government aid		220,770
Market value credit		11,396
PERA rate reimbursement		668
Police state aid		5,653

Total Shared Revenue **\$** 251,634

Grants

Federal

Department of

Employment and Economic Development	\$	230,550
Environmental Protection Agency		642,241

Total Grants **\$** 872,791

Total Intergovernmental Revenue **\$** 1,124,425

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the financial statements of the City of Greenbush.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of the City of Greenbush and are reported in the "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*." None of the significant deficiencies were considered to be a material weakness.
- C. No instances of noncompliance material to the financial statements of the City of Greenbush were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for the City of Greenbush expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program was Capitalization Grants for Drinking Water State Revolving Funds, CFDA #66.468.
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. The City of Greenbush was determined not to be a low-risk auditee.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**Schedule 12
(Continued)**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

04-1 **Segregation of Duties**

Due to the limited number of personnel within the City office, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Greenbush; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

A control deficiency 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.

We recommend that the City's management be aware of the lack of segregation of duties within the accounting function and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

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 6 month time for this review.

07-1 **Internal Controls**

The financial statements are the responsibility of the City of Greenbush's management. Internal control over financial reporting is a process designed to provide reasonable assurance about the achievement of the City's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the City's objective of reliable financial reporting. In this section, the term financial reporting relates to the preparation of reliable financial statements that are fairly presented in conformity with GAAP.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 12
(Continued)

Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and obtain suitable knowledge to sufficiently review, understand, and approve the City's financial statements, including notes.

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.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RESPONSES

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-1 Deficit Cash Balance

At December 31, 2010, the Economic Development Incubator Special Revenue Fund had a cash balance deficit of \$13,741.

Minnesota Statute § 412.731 states, "After the budget resolution has been adopted the council shall have no power to increase the amounts fixed in the budget resolution, by the insertion of new items or otherwise, beyond the estimated revenues unless the actual receipts exceed the estimates and then not beyond the actual receipts."

We recommend the City eliminate the deficit cash balance by transferring from another fund.

ITEM ARISING THIS YEAR

10-1 Deficit Cash Balance

At December 31, 2010, the Small Cities Development Program Special Revenue Fund had a cash balance deficit of \$1,798.

Minnesota Statute § 412.731 states, "After the budget resolution has been adopted the council shall have no power to increase the amounts fixed in the budget resolution, by the insertion of new items or otherwise, beyond the estimated revenues unless the actual receipts exceed the estimates and then not beyond the actual receipts."

We recommend the City eliminate the deficit cash balance by transferring from another fund.



Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

GOVERNMENTAL AUDIT SERVICES

1845 Highway 59 South
Suite 1100
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
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**

City Council
City of Greenbush

We have audited 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, Minnesota as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 18, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Greenbush's internal control over financial reporting as a basis for designing our auditing procedures 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 exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 04-1 and 07-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

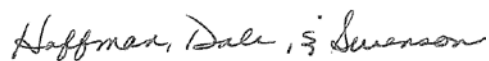
Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: depositories of public funds and public investments, conflicts of interest, public indebtedness, contracting - bid laws, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the City of Greenbush has no tax increment financing districts. The results of our tests indicate that for the items tested, the City of Greenbush complied with the material terms and conditions of applicable legal provisions except as noted in the accompanying Schedule of Findings and Questioned Costs as item 08-1 and 10-1.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council and management, and is not intended to be, and should not be, used by anyone other than those specified parties.



Hoffman, Dale, & Swenson, PLLC

April 18, 2011



Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

GOVERNMENTAL AUDIT SERVICES

1845 Highway 59 South
Suite 1100
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City Council
City of Greenbush

Compliance

We have audited the City of Greenbush's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2010. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Greenbush's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, The City of Greenbush complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City of Greenbush is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

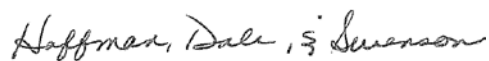
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited 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, 2010, and have issued our report thereon dated April 18, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.



Hoffman, Dale, & Swenson, PLLC

April 18, 2011

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants	14.228	\$ 230,550
U.S. Department of Environmental Protection Agency		
Passed Through Minnesota Public Facilities Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>2,374,658</u>
Total Federal Award Expenditures		<u>\$ 2,605,208</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. Reporting Entity

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

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Greenbush under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Greenbush, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Greenbush.

III. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

IV. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 872,791
Plus: Federal receipts that are long-term debt	<u>1,732,417</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,605,208</u></u>

V. Subrecipients

During 2010, the City did not pass any federal money to subrecipients.

VI. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. The City of Greenbush did not receive ARRA funds in 2010.