

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2012

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

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GREENBUSH, MINNESOTA**

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## **INTRODUCTORY SECTION**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2012**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
<b>Elected</b>		
Scott Waage	Mayor	December 31, 2014
Brenda Sather	Councilmember	December 31, 2014
Adrian Pulczynski <sup>1</sup>	Councilmember	December 31, 2012
Sandy McFarlane	Councilmember	December 31, 2016
Dennis Filer	Councilmember	December 31, 2016
<b>Appointed</b>		
Anita Locken	Clerk/Treasurer	Indefinite

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<sup>1</sup> Replaced by Christine Foss in January, 2013.

## **FINANCIAL SECTION**



**GOVERNMENTAL AUDIT SERVICES**

Colleen Hoffman, Manager  
Gordon Dale, CPA  
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**INDEPENDENT AUDITOR'S REPORT**

City Council  
City of Greenbush

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Notes I and II, the City of Greenbush has implemented Governmental Accounting Standards Board Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*, which required a change in accounting principles and resulted in adjustments to beginning net position.

## **Other Matters**

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.

## **Accompanying Information**

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, on our consideration of the City of Greenbush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.



The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Hoffman, Dale, & Swenson*

Hoffman, Dale, & Swenson, PLLC

May 31, 2013



## 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, 2012. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$1,168,646, of which \$593,551 is the net investment in capital assets, \$13,992 is restricted for public safety, and \$561,103 is unrestricted. The total net position of governmental activities decreased by \$71,331 for the year ended December 31, 2012. This is attributed primarily to a timing difference between intergovernmental revenues and economic development expenditures along with unbudgeted expenditures to raze a structural hazard in the business area of the City.

The total net position of business-type activities are \$1,389,004, of which \$903,250 is the net investment in capital assets and \$485,754 is unrestricted. The total net position of business-type activities increased by \$43,088 in 2012, as a result of the repayment of debt.

At the close of 2012, the City's governmental funds reported combined ending fund balances of \$577,937, a decrease of \$26,409 from the prior year. Of the total fund balance amount, \$24,530 is legally or contractually restricted, \$395,953 is formally committed for specific purposes, \$2,671 is assigned for specific purposes, and \$154,783 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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## Government-Wide Financial Statements

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

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the 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 governmental funds, except the General Special Projects Special Revenue Fund. 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 Position and the Statement of Activities as business-type activities. All of the enterprise funds are considered to be major funds.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 25 of this report.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City’s financial position. The City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,557,650 at the close of 2012. The largest portion of the City’s net position (approximately 58.5 percent) reflects its net investment in capital assets (i.e., land, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 0.5 percent of the City’s net position is restricted for public safety and 41 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,046,857 as of December 31, 2012, may be used to meet the City’s ongoing obligations to citizens.

The City’s overall financial position decreased from last year. Total assets and deferred outflows of resources decreased by \$127,386, from the prior year, primarily due to depreciation of capital assets and increased general governmental expenditures. Total liabilities and deferred inflows of resources decreased by \$99,143, from the prior year, due to the repayment of debt. This resulted in a decreased net position of \$28,243 from the prior year.

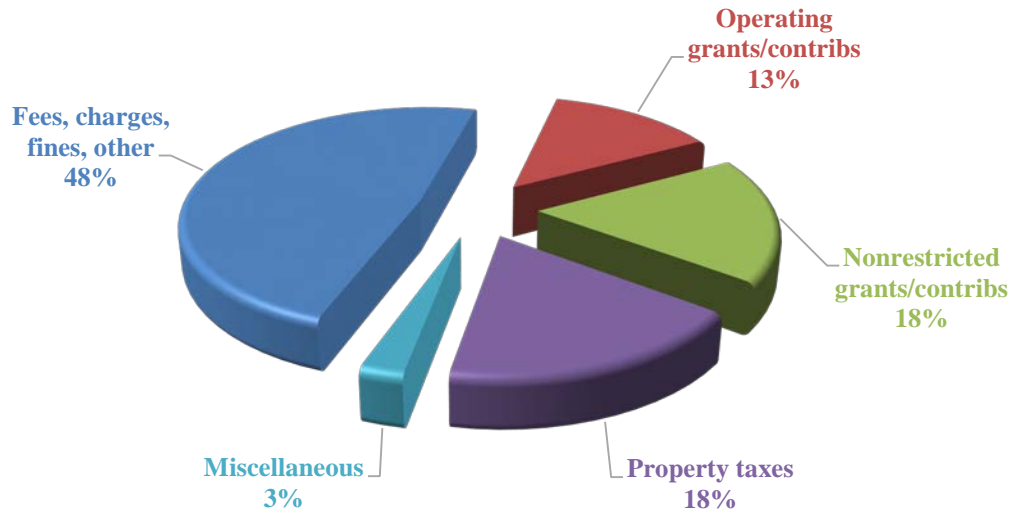
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 as restated	2012	2011 as restated	2012	2011 as restated
	Current and other assets	\$ 746,917	\$ 775,816	\$ 396,278	\$ 324,045	\$ 1,143,195
Capital assets	669,648	737,989	3,266,197	3,365,860	3,935,845	4,103,849
Total assets	\$ 1,416,565	\$ 1,513,805	\$ 3,662,475	\$ 3,689,905	\$ 5,079,040	\$ 5,203,710
Deferred outflows						
Special assessments receivable - noncurrent	\$ 10,953	\$ 12,171	\$ 1,498	\$ 2,996	\$ 12,451	\$ 15,167
Other liabilities	\$ 11,358	\$ 18,832	\$ 8,683	\$ 4,356	\$ 20,041	\$ 23,188
Long-term liabilities outstanding	78,939	102,358	2,264,424	2,339,088	2,343,363	2,441,446
Total liabilities	\$ 90,297	\$ 121,190	\$ 2,273,107	\$ 2,343,444	\$ 2,363,404	\$ 2,464,634
Deferred inflows						
Taxes	\$ 16,840	\$ 11,898	\$ 364	\$ 360	\$ 17,204	\$ 12,258
Notes	1,157	1,157	-	-	1,157	1,157
Loans	138,804	138,704	-	-	138,804	138,704
Special assessments	11,774	13,050	1,498	3,181	13,272	16,231
Total deferred inflows	\$ 168,575	\$ 164,809	\$ 1,862	\$ 3,541	\$ 170,437	\$ 168,350
Net position						
Net Investment in capital assets	\$ 593,551	\$ 642,675	\$ 903,250	\$ 1,027,629	\$ 1,496,801	\$ 1,670,304
Restricted	13,992	15,665	-	-	13,992	15,665
Unrestricted	561,103	581,637	485,754	318,287	1,046,857	899,924
Total net position	\$ 1,168,646	\$ 1,239,977	\$ 1,389,004	\$ 1,345,916	\$ 2,557,650	\$ 2,585,893

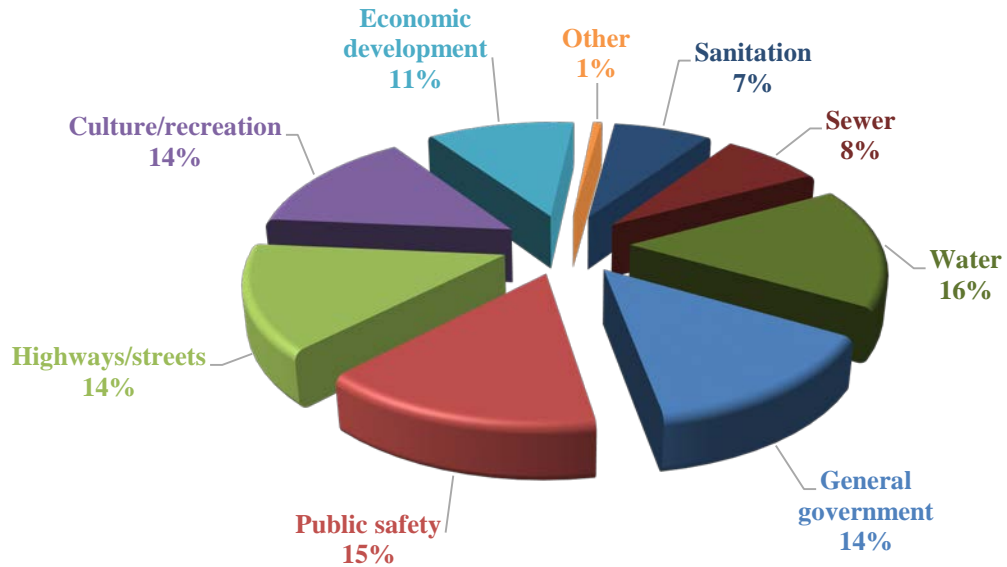
**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 180,880	\$ 180,624	\$ 415,108	\$ 374,882	\$ 595,988	\$ 555,506
Operating grants and contributions	164,752	270,246	-	-	164,752	270,246
Capital grants and contributions	5,332	2,319	10,652	309	15,984	2,628
General Revenues and Transfers						
Property taxes	221,531	161,227	-	7,622	221,531	168,849
Grants and contributions not restricted to specific programs	221,438	232,864	-	-	221,438	232,864
Investment earnings	2,548	4,051	1,441	1,136	3,989	5,187
Insurance dividends	11,315	5,423	-	-	11,315	5,423
Transfers	(9,000)	(9,000)	9,000	9,000	-	-
Total revenues	\$ 798,796	\$ 847,754	\$ 436,201	\$ 392,949	\$ 1,234,997	\$ 1,240,703
Expenses						
General government	\$ 175,708	\$ 103,781	\$ -	\$ -	\$ 175,708	\$ 103,781
Public safety	190,249	203,937	-	-	190,249	203,937
Highways and streets	178,627	173,710	-	-	178,627	173,710
Culture and recreation	177,597	170,391	-	-	177,597	170,391
Conservation of natural resources	2,943	4,085	-	-	2,943	4,085
Economic development	140,022	168,988	-	-	140,022	168,988
Interest	4,981	5,996	-	-	4,981	5,996
Sanitation	-	-	92,912	114,150	92,912	114,150
Sewer	-	-	95,430	97,822	95,430	97,822
Water	-	-	204,771	128,802	204,771	128,802
Total expenses	\$ 870,127	\$ 830,888	\$ 393,113	\$ 340,774	\$ 1,263,240	\$ 1,171,662
Increase (decrease)	\$ (71,331)	\$ 16,866	\$ 43,088	\$ 52,175	\$ (28,243)	\$ 69,041
Net assets, January 1, as previously reported	-	1,387,920	-	1,297,282	-	2,685,202
Prior period adjustment	-	(164,809)	-	(3,541)	-	(168,350)
Net position, January 1, as restated	1,239,977	-	1,345,916	-	2,585,893	-
Net position, December 31	\$ 1,168,646	\$ 1,239,977	\$ 1,389,004	\$ 1,345,916	\$ 2,557,650	\$ 2,585,893

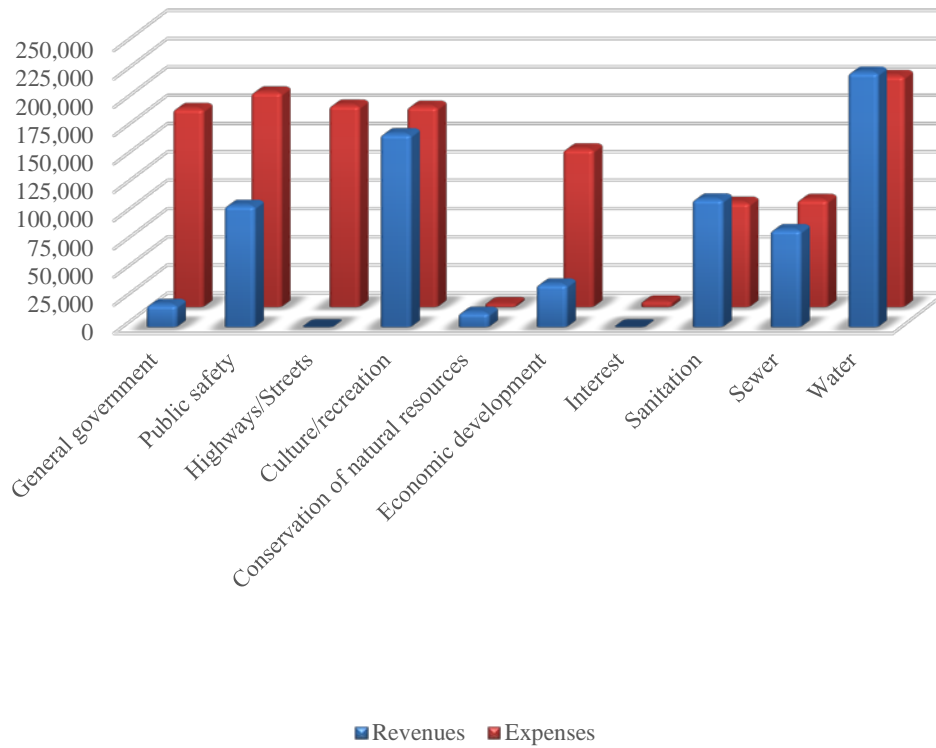
## Revenues by Source



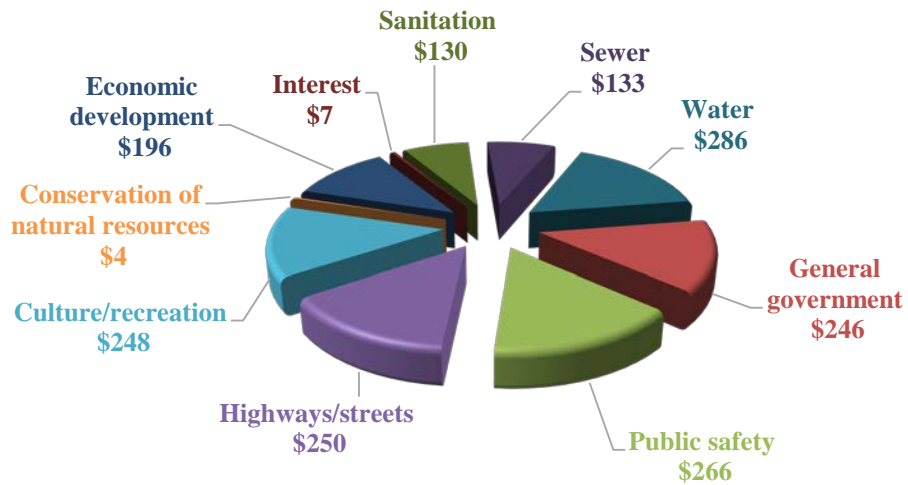
## Expenses by Function



## Program Revenues & Expenditures



## Expenditures Per Capita 715 Population as of 2011



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

At the end of 2012, the City's governmental funds reported combined ending fund balances of \$577,937. Of this amount, approximately 4.0 percent constitutes legally or contractually restricted fund balance, 68.5 percent constitutes formally committed fund balance, 0.5 percent constitutes specifically assigned fund balance, and 27 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$346,765. The General Fund's restricted fund balance was \$13,992, committed fund balance was \$177,990, and unassigned fund balance was \$154,783. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2012. Unrestricted fund balance represents 55 percent of total General Fund expenditures, while total fund balance represents 57 percent of that same amount.

In 2012, the fund balance amount in the General Fund increased by \$54,957. The primary reason for this was increased property tax revenue, charges for services, and gifts and contributions.

The fund balance of the RBEG Revolving Loan Special Revenue Fund increased \$2,438 from the prior year, as a result of miscellaneous revenues that exceeded economic development expenditures.

The fund balance of the Small Cities Development Program Special Revenue Fund decreased \$109,232 from the prior year, due to the timing of expenditures related to intergovernmental revenues received in 2011.

### **Proprietary Funds**

The Sanitation Enterprise Fund reported an operating income in 2012 of \$10,077, indicating that it is collecting fees for services at a rate higher than costs.

The Sewer Enterprise Fund reported an operating income in 2012 of \$537, an improvement of \$904 over the prior year.

The Water Enterprise Fund reported an operating income in 2012 of \$43,171, indicating that it is collecting fees for services at a rate higher than costs.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budget as approved for 2012.

Actual revenues were more than overall final budgeted revenues by \$161,865. The largest positive variances were in charges for services, gifts and contributions, and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$99,550, largely as a result of unbudgeted costs to raze a building that was a structural hazard in the business area of the City and unplanned costs for the police department.



## 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, 2012, amounted to \$3,935,845 (net of accumulated depreciation). The total decrease in the City's investment in capital assets for the current fiscal year was approximately four percent. This decrease was primarily due to depreciation of capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 99,412	\$ 105,412	\$ 4,000	\$ 4,000	\$ 103,412	\$ 109,412
Infrastructure	-	-	3,217,204	3,339,362	3,217,204	3,339,362
Buildings and improvements	368,718	394,335	6,931	7,365	375,649	401,700
Machinery and equipment	201,518	238,242	38,062	15,133	239,580	253,375
Total capital assets	<u>\$ 669,648</u>	<u>\$ 737,989</u>	<u>\$ 3,266,197</u>	<u>\$ 3,365,860</u>	<u>\$ 3,935,845</u>	<u>\$ 4,103,849</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 \$2,338,796 which is backed by the full faith and credit of the government.

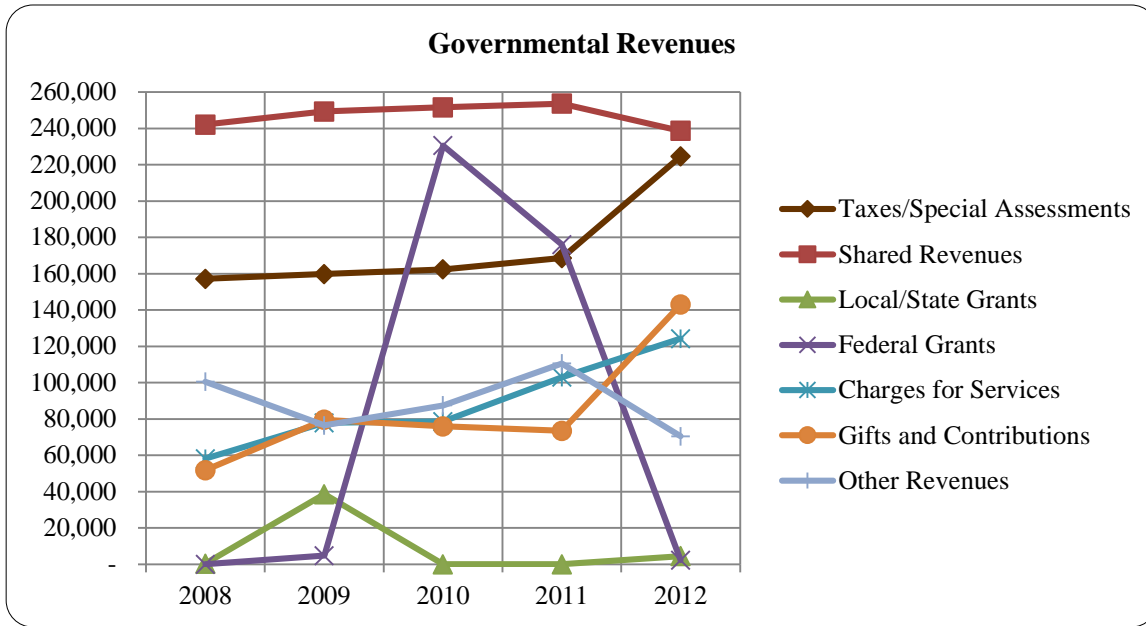
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Public Project Notes of 2001	\$ 76,097	\$ 95,314	\$ -	\$ -	\$ 76,097	\$ 95,314
G.O. Sewer Revenue Bonds of 2006	-	-	205,223	214,889	205,223	214,889
G.O. Water Revenue Note - MPFA	-	-	2,057,476	2,123,342	2,057,476	2,123,342
	<u>\$ 76,097</u>	<u>\$ 95,314</u>	<u>\$ 2,262,699</u>	<u>\$ 2,338,231</u>	<u>\$ 2,338,796</u>	<u>\$ 2,433,545</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 2012, overall debt of the City is below the three percent debt limit.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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



- Specific unemployment statistics for the City of Greenbush are not available. However, the unemployment rate for Roseau County was 4.3 percent as of December 31, 2012. This is lower than the statewide rate of 5.4 percent and the national average rate of 7.6 percent.
- Greenbush’s 2011 population was 715, a decline of 4 since the 2010 census of 719.
- The City’s next large infrastructure project that is in the planning stages is to replace the watermain on 4<sup>th</sup> Street South and 5<sup>th</sup> Street South. This project will also include replacing the wastewater main on Park Avenue and include asphalt overlays on these streets. Work is to be completed in 2013.
- On December 17, 2012, the City of Greenbush set its 2013 revenue and expenditure budgets.

**REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the City of Greenbush for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Greenbush Clerk/Treasurer, City Hall, P.O. Box 98, Greenbush, Minnesota 56726.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 203,834	\$ 133,424	\$ 337,258
Investments	369,987	210,475	580,462
Taxes receivable			
Current	10,473	-	10,473
Prior	16,840	364	17,204
Special assessments receivable			
Current	432	544	976
Prior	821	-	821
Accounts receivable	1,573	51,471	53,044
Due from other governments	2,996	-	2,996
Notes receivable	1,157	-	1,157
Loans receivable	138,804	-	138,804
Capital assets			
Non-depreciable	99,412	4,000	103,412
Depreciable - net of accumulated depreciation	570,236	3,262,197	3,832,433
<b>Total Assets</b>	<b>\$ 1,416,565</b>	<b>\$ 3,662,475</b>	<b>\$ 5,079,040</b>
<b><u>Deferred Outflows</u></b>			
Special assessments receivable - noncurrent	\$ 10,953	\$ 1,498	\$ 12,451
<b><u>Liabilities</u></b>			
Accounts payable	\$ 9,173	\$ 6,614	\$ 15,787
Salaries payable	2,185	1,054	3,239
Due to other governments	-	1,015	1,015
Long-term liabilities			
Due within one year	22,264	77,782	100,046
Due in more than one year	56,675	2,186,642	2,243,317
<b>Total Liabilities</b>	<b>\$ 90,297</b>	<b>\$ 2,273,107</b>	<b>\$ 2,363,404</b>
<b><u>Deferred Inflows</u></b>			
Taxes	\$ 16,840	\$ 364	\$ 17,204
Notes	1,157	-	1,157
Loans	138,804	-	138,804
Special assessments	11,774	1,498	13,272
<b>Total Deferred Inflows</b>	<b>\$ 168,575</b>	<b>\$ 1,862</b>	<b>\$ 170,437</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 593,551	\$ 903,250	\$ 1,496,801
Amounts restricted for public safety	13,992	-	13,992
Unrestricted amounts	561,103	485,754	1,046,857
<b>Total Net Position</b>	<b>\$ 1,168,646</b>	<b>\$ 1,389,004</b>	<b>\$ 2,557,650</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Revenues		
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions
<b>Functions/Programs</b>			
<b>Governmental activities</b>			
General government	\$ 175,708	\$ 16,316	\$ 1,555
Public safety	190,249	66,697	41,299
Highways and streets	178,627	-	-
Culture and recreation	177,597	49,313	121,898
Conservation of natural resources	2,943	13,226	-
Economic development	140,022	35,328	-
Interest	4,981	-	-
<b>Total governmental activities</b>	<b>\$ 870,127</b>	<b>\$ 180,880</b>	<b>\$ 164,752</b>
<b>Business-type activities</b>			
Sanitation	\$ 92,912	\$ 102,989	\$ -
Sewer	95,430	86,566	-
Water	204,771	225,553	-
<b>Total business-type activities</b>	<b>\$ 393,113</b>	<b>\$ 415,108</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 1,263,240</b>	<b>\$ 595,988</b>	<b>\$ 164,752</b>

**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**

**Net Assets - January 1, as previously reported**

Prior period adjustment

**Net Position - January 1, as restated**

**Net Position - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ 2,335	\$ (155,502)	\$ -	\$ (155,502)
-	(82,253)	-	(82,253)
-	(178,627)	-	(178,627)
-	(6,386)	-	(6,386)
-	10,283	-	10,283
2,997	(101,697)	-	(101,697)
-	(4,981)	-	(4,981)
<b>\$ 5,332</b>	<b>\$ (519,163)</b>	<b>\$ -</b>	<b>\$ (519,163)</b>
\$ 10,652	-	\$ 20,729	\$ 20,729
-	-	(8,864)	(8,864)
-	-	20,782	20,782
<b>\$ 10,652</b>	<b>\$ -</b>	<b>\$ 32,647</b>	<b>\$ 32,647</b>
<b>\$ 15,984</b>	<b>\$ (519,163)</b>	<b>\$ 32,647</b>	<b>\$ (486,516)</b>
	\$ 221,531	\$ -	\$ 221,531
	221,438	-	221,438
	2,548	1,441	3,989
	11,315	-	11,315
	(9,000)	9,000	-
	<b>\$ 447,832</b>	<b>\$ 10,441</b>	<b>\$ 458,273</b>
	<b>\$ (71,331)</b>	<b>\$ 43,088</b>	<b>\$ (28,243)</b>
	<b>\$ 1,404,786</b>	<b>\$ 1,349,457</b>	<b>\$ 2,754,243</b>
	(164,809)	(3,541)	(168,350)
	<b>\$ 1,239,977</b>	<b>\$ 1,345,916</b>	<b>\$ 2,585,893</b>
	<b>\$ 1,168,646</b>	<b>\$ 1,389,004</b>	<b>\$ 2,557,650</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	General	RBEG Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<b><u>Assets and Deferred Outflows</u></b>					
<b>Assets</b>					
Cash and pooled investments	\$ 148,215	\$ 10,538	\$ -	\$ 45,081	\$ 203,834
Investments	191,145	-	-	178,842	369,987
Taxes receivable					
Current	10,473	-	-	-	10,473
Prior	16,840	-	-	-	16,840
Special assessments receivable					
Current	432	-	-	-	432
Prior	821	-	-	-	821
Accounts receivable	1,573	-	-	-	1,573
Due from other governments	2,996	-	-	-	2,996
Notes receivable	-	-	1,157	-	1,157
Loans receivable	-	138,804	-	-	138,804
<b>Total Assets</b>	<b>\$ 372,495</b>	<b>\$ 149,342</b>	<b>\$ 1,157</b>	<b>\$ 223,923</b>	<b>\$ 746,917</b>
<b>Deferred Outflows</b>					
Special assessments receivable - noncurrent	10,953	-	-	-	10,953
<b>Total Assets and Deferred Outflows</b>	<b>\$ 383,448</b>	<b>\$ 149,342</b>	<b>\$ 1,157</b>	<b>\$ 223,923</b>	<b>\$ 757,870</b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 5,884	\$ -	\$ -	\$ 3,289	\$ 9,173
Salaries payable	2,185	-	-	-	2,185
<b>Total Liabilities</b>	<b>\$ 8,069</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,289</b>	<b>\$ 11,358</b>
<b>Deferred Inflows</b>					
Taxes	\$ 16,840	\$ -	\$ -	\$ -	\$ 16,840
Notes	-	-	1,157	-	1,157
Loans	-	138,804	-	-	138,804
Special assessments	11,774	-	-	-	11,774
<b>Total Deferred Inflows</b>	<b>\$ 28,614</b>	<b>\$ 138,804</b>	<b>\$ 1,157</b>	<b>\$ -</b>	<b>\$ 168,575</b>
<b>Fund Balances</b>					
Restricted for					
Economic development	\$ -	\$ 10,538	\$ -	\$ -	\$ 10,538
Police DARE	13,992	-	-	-	13,992
Committed to					
Buildings and related equipment	25,737	-	-	-	25,737
Culture and recreation plan	2,253	-	-	23,281	25,534
Fire department equipment	-	-	-	194,682	194,682
Shop equipment	50,000	-	-	-	50,000
Street improvements	100,000	-	-	-	100,000
Assigned to public safety	-	-	-	2,671	2,671
Unassigned	154,783	-	-	-	154,783
<b>Total Fund Balances</b>	<b>\$ 346,765</b>	<b>\$ 10,538</b>	<b>\$ -</b>	<b>\$ 220,634</b>	<b>\$ 577,937</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 383,448</b>	<b>\$ 149,342</b>	<b>\$ 1,157</b>	<b>\$ 223,923</b>	<b>\$ 757,870</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>577,937</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		669,648
<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	\$ (2,842)	
Notes payable	(76,097)	(78,939)
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>1,168,646</u></b>



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	RBEG Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 221,531	\$ -	\$ -	\$ -	\$ 221,531
Special assessments	2,997	-	-	-	2,997
Licenses and permits	2,730	-	-	-	2,730
Intergovernmental	245,537	-	-	-	245,537
Charges for services	99,668	-	-	24,591	124,259
Fines and forfeitures	1,386	-	-	-	1,386
Gifts and contributions	94,613	-	-	48,375	142,988
Investment earnings	1,682	-	-	866	2,548
Miscellaneous	30,592	13,438	19,790	-	63,820
<b>Total Revenues</b>	<b>\$ 700,736</b>	<b>\$ 13,438</b>	<b>\$ 19,790</b>	<b>\$ 73,832</b>	<b>\$ 807,796</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 169,678	\$ -	\$ -	\$ -	\$ 169,678
Public safety	134,365	-	-	24,578	158,943
Highways and streets	166,772	-	-	-	166,772
Culture and recreation	101,408	-	-	51,484	152,892
Conservation of natural resources	2,707	-	-	-	2,707
Economic development	-	11,000	129,022	-	140,022
<b>Debt service</b>					
Principal retirement	19,217	-	-	-	19,217
Interest	4,981	-	-	-	4,981
<b>Capital outlay</b>					
General government	9,993	-	-	-	9,993
<b>Total Expenditures</b>	<b>\$ 609,121</b>	<b>\$ 11,000</b>	<b>\$ 129,022</b>	<b>\$ 76,062</b>	<b>\$ 825,205</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 91,615</b>	<b>\$ 2,438</b>	<b>\$ (109,232)</b>	<b>\$ (2,230)</b>	<b>\$ (17,409)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 487	\$ -	\$ -	\$ 28,145	\$ 28,632
Transfers out	(37,145)	-	-	(487)	(37,632)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (36,658)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,658</b>	<b>\$ (9,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 54,957</b>	<b>\$ 2,438</b>	<b>\$ (109,232)</b>	<b>\$ 25,428</b>	<b>\$ (26,409)</b>
<b>Fund Balance - January 1</b>	<b>291,808</b>	<b>8,100</b>	<b>109,232</b>	<b>195,206</b>	<b>604,346</b>
<b>Fund Balance - December 31</b>	<b>\$ 346,765</b>	<b>\$ 10,538</b>	<b>\$ -</b>	<b>\$ 220,634</b>	<b>\$ 577,937</b>

**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, 2012**

<b>Net change in fund balance - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>(26,409)</b>
<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	\$ 9,993	
Net book value of assets disposed	(6,000)	
Current year depreciation	(72,334)	(68,341)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, the transaction has no effect on net position.</p>		
Principal repayment of notes payable		19,217
<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		4,202
<b>Change in net position of governmental activities (Exhibit 2)</b>	<b>\$</b>	<b><u>(71,331)</u></b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
<b><u>Assets</u></b>				
<b>Current Assets</b>				
Cash and pooled investments	\$ 30,103	\$ 45,255	\$ 58,066	\$ 133,424
Investments	78,062	60,339	72,074	210,475
Taxes receivable - delinquent	-	364	-	364
Special assessments receivable - current	-	478	66	544
Accounts receivable	12,402	11,109	27,960	51,471
<b>Total Current Assets</b>	<b>\$ 120,567</b>	<b>\$ 117,545</b>	<b>\$ 158,166</b>	<b>\$ 396,278</b>
<b>Noncurrent Assets</b>				
Capital assets				
Non-depreciable	-	-	4,000	4,000
Depreciable - net of accumulated depreciation	-	364,973	2,897,224	3,262,197
<b>Total Noncurrent Assets</b>	<b>\$ -</b>	<b>\$ 364,973</b>	<b>\$ 2,901,224</b>	<b>\$ 3,266,197</b>
<b>Total Assets</b>	<b>\$ 120,567</b>	<b>\$ 482,518</b>	<b>\$ 3,059,390</b>	<b>\$ 3,662,475</b>
<b><u>Deferred Outflows</u></b>				
Special assessments receivable - noncurrent	\$ -	\$ 749	\$ 749	\$ 1,498
<b><u>Liabilities</u></b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 62	\$ 1,581	\$ 4,971	\$ 6,614
Salaries payable	-	527	527	1,054
Compensated absences payable	-	863	862	1,725
Due to other governments	817	-	198	1,015
General obligation revenue bonds payable	-	10,057	-	10,057
MPFA notes payable	-	-	66,000	66,000
<b>Total Current Liabilities</b>	<b>\$ 879</b>	<b>\$ 13,028</b>	<b>\$ 72,558</b>	<b>\$ 86,465</b>
<b>Noncurrent Liabilities</b>				
General obligation revenue bonds payable	\$ -	\$ 195,166	\$ -	\$ 195,166
MPFA notes payable	-	-	1,991,476	1,991,476
<b>Total Noncurrent Liabilities</b>	<b>\$ -</b>	<b>\$ 195,166</b>	<b>\$ 1,991,476</b>	<b>\$ 2,186,642</b>
<b>Total Liabilities</b>	<b>\$ 879</b>	<b>\$ 208,194</b>	<b>\$ 2,064,034</b>	<b>\$ 2,273,107</b>
<b><u>Deferred Inflows</u></b>				
Taxes	\$ -	\$ 364	\$ -	\$ 364
Special assessments	-	749	749	1,498
<b>Total Deferred Inflows</b>	<b>\$ -</b>	<b>\$ 1,113</b>	<b>\$ 749</b>	<b>\$ 1,862</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ -	\$ 159,750	\$ 743,500	\$ 903,250
Unrestricted amounts	119,688	114,210	251,856	485,754
<b>Total Net Position</b>	<b>\$ 119,688</b>	<b>\$ 273,960</b>	<b>\$ 995,356</b>	<b>\$ 1,389,004</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
<b>Operating Revenues</b>				
Charges for services	\$ 102,989	\$ 86,566	\$ 225,553	\$ 415,108
<b>Operating Expenses</b>				
Personnel services	\$ -	\$ 14,913	\$ 15,199	\$ 30,112
Payroll tax/benefits	-	4,066	4,066	8,132
Contracted services	92,912	10,023	-	102,935
Insurance	-	449	5,362	5,811
Permits	-	-	2,261	2,261
Repairs and maintenance	-	1,410	3,825	5,235
Staff training	-	-	822	822
Supplies	-	30,893	35,562	66,455
Telephone	-	-	1,019	1,019
Utilities	-	1,693	8,896	10,589
Miscellaneous	-	660	1,300	1,960
Depreciation	-	21,922	104,070	125,992
<b>Total Operating Expenses</b>	<b>\$ 92,912</b>	<b>\$ 86,029</b>	<b>\$ 182,382</b>	<b>\$ 361,323</b>
<b>Operating Income (Loss)</b>	<b>\$ 10,077</b>	<b>\$ 537</b>	<b>\$ 43,171</b>	<b>\$ 53,785</b>
<b>Nonoperating Revenues (Expenses)</b>				
Special assessments	\$ -	\$ 10,022	\$ 630	\$ 10,652
Investment earnings	577	339	525	1,441
Interest expense	-	(9,401)	(22,389)	(31,790)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 577</b>	<b>\$ 960</b>	<b>\$ (21,234)</b>	<b>\$ (19,697)</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 10,654</b>	<b>\$ 1,497</b>	<b>\$ 21,937</b>	<b>\$ 34,088</b>
Transfers in	-	-	9,000	9,000
<b>Change</b>	<b>\$ 10,654</b>	<b>\$ 1,497</b>	<b>\$ 30,937</b>	<b>\$ 43,088</b>
<b>Net Assets - January 1, as previously reported</b>	<b>\$ 109,034</b>	<b>\$ 274,381</b>	<b>\$ 966,042</b>	<b>\$ 1,349,457</b>
Prior period adjustment	-	(1,918)	(1,623)	(3,541)
<b>Net Position - January 1, as restated</b>	<b>\$ 109,034</b>	<b>\$ 272,463</b>	<b>\$ 964,419</b>	<b>\$ 1,345,916</b>
<b>Net Position - December 31</b>	<b>\$ 119,688</b>	<b>\$ 273,960</b>	<b>\$ 995,356</b>	<b>\$ 1,389,004</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 101,141	\$ 85,837	\$ 219,793	\$ 406,771
Payments to employees	-	(18,478)	(18,766)	(37,244)
Payments to suppliers	(92,941)	(43,923)	(55,932)	(192,796)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 8,200</b>	<b>\$ 23,436</b>	<b>\$ 145,095</b>	<b>\$ 176,731</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in	\$ -	\$ -	\$ 9,000	\$ 9,000
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on bonds	\$ -	\$ (9,666)	\$ -	\$ (9,666)
Interest paid on bonds	-	(9,401)	-	(9,401)
Principal paid on Public Facilities Authority notes	-	-	(65,866)	(65,866)
Interest paid on Public Facilities Authority notes	-	-	(22,389)	(22,389)
Purchase of capital assets	-	-	(26,329)	(26,329)
Special assessments received	-	9,751	771	10,522
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ -</b>	<b>\$ (9,316)</b>	<b>\$ (113,813)</b>	<b>\$ (123,129)</b>
<b>Cash Flows from Investing Activities</b>				
Investment earnings received	\$ 775	\$ 339	\$ 698	\$ 1,812
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 8,975</b>	<b>\$ 14,459</b>	<b>\$ 40,980</b>	<b>\$ 64,414</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>99,190</b>	<b>91,135</b>	<b>89,160</b>	<b>279,485</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 108,165</b>	<b>\$ 105,594</b>	<b>\$ 130,140</b>	<b>\$ 343,899</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 10,077	\$ 537	\$ 43,171	\$ 53,785
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>				
Depreciation expense	\$ -	\$ 21,922	\$ 104,070	\$ 125,992
Decrease (increase) in assets				
Accounts receivable	(1,802)	(729)	(5,762)	(8,293)
Special assessments receivable	52	-		52
Increase (decrease) in liabilities				
Accounts payable	62	1,233	3,143	4,438
Salaries payable	-	38	38	76
Compensated absences payable	-	435	433	868
Due to other governments	(189)	-	2	(187)
<b>Total adjustments</b>	<b>\$ (1,877)</b>	<b>\$ 22,899</b>	<b>\$ 101,924</b>	<b>\$ 122,946</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 8,200</b>	<b>\$ 23,436</b>	<b>\$ 145,095</b>	<b>\$ 176,731</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the City's deposits is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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, 2012, based on market prices. Investment earnings on cash and investments are allocated to the funds. City funds also participate in

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

2. Deposits and Investments (Continued)

a pooled checking account for operating purposes. Pooled investment earnings for 2012 were \$1,395. Total investment earnings for 2012 were \$3,989.

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 2007 through 2012 and deferred special assessments collectible in 2013 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

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

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

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

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

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

4. Capital Assets

Capital assets, which include land, 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.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

4. Capital Assets (Continued)

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	80
Buildings and improvements	5-40
Machinery and equipment	5-20

5. Deferred Outflows and Inflows

Deferred outflows of resources are a consumption of net assets by the City that is applicable to a future reporting period and has a positive effect on net position, similar to assets. Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period and has a negative effect on net position, similar to liabilities.

6. 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 Position or Equity (Continued)

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 Position and Fund Balance

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

In the fund financial statements, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. The City does not have any non-spendable fund balance as of December 31, 2012.

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

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

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

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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

8. Net Position and Fund Balance (Continued)

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

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

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

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

10. Account Balance Reclassifications

Several account balances were reclassified for the year ended December 31, 2011, as previously reported. These reclassifications, due to the implementation of GASB Statements 63 and 65, were required in order to be consistent with the current year's presentation, and must be considered when comparing the financial statements of this report with those of prior reports.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

11. Comparative Data

Comparative data has not been provided due to the implementation of GASB 63 and 65, however, comparative information may be provided in future years when prior year information is available.

II. Change in Accounting Principles

Effective January 1, 2012, the City implemented GASB Statements 63 and 65, which required a change in accounting principles and resulted in adjustments to beginning net position. The following table outlines the changes in net position as reported on the City's financial statements:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Sewer Enterprise Fund</u>	<u>Water Enterprise Fund</u>
Net assets, December 31, 2011, as previously reported	\$ 1,404,786	\$ 1,349,457	\$ 274,381	\$ 966,042
Taxes	(11,898)	(360)	(360)	-
Notes	(1,157)	-	-	-
Loans	(138,704)	-	-	-
Special assessments	(13,050)	(3,181)	(1,558)	(1,623)
Net position, January 1, 2012, as restated	<u>\$ 1,239,977</u>	<u>\$ 1,345,916</u>	<u>\$ 272,463</u>	<u>\$ 964,419</u>

III. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget – Nonmajor Funds

The following nonmajor funds had expenditures in excess of budget as of December 31, 2012:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Fire Department Special Project/Equipment Special Revenue Fund	\$ 24,578	\$ 2,000	\$ (22,578)

IV. 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, 2012, are as follows:

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 203,834
Investments	369,987
Business-type Activities	
Cash and pooled investments	133,424
Investments	210,475
Total Cash and Investments	\$ 917,720
Deposits	\$ 917,620
Petty cash and change funds	100
Total Deposits and Cash on Hand	\$ 917,720

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, 2012, the City’s deposits were not exposed to custodial credit risk.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2012, for the City's governmental activities and business-type activities, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 27,313	\$ -
Special Assessments	12,206	10,953
Accounts	1,573	-
Due from other governments	2,996	-
Notes	1,157	1,157
Loans	138,804	138,804
Total Governmental Activities	\$ 184,049	\$ 150,914
Business-Type Activities		
Taxes	\$ 364	\$ -
Special assessments	2,042	1,498
Accounts	51,471	-
Total Business-Type Activities	\$ 53,877	\$ 1,498

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2012, was as follows:



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 105,412	\$ -	\$ 6,000	\$ 99,412
Capital assets being depreciated				
Buildings and improvements	\$ 921,480	\$ -	\$ -	\$ 921,480
Machinery and equipment	711,493	9,993	-	721,486
Total capital assets being depreciated	\$ 1,632,973	\$ 9,993	\$ -	\$ 1,642,966
Less: accumulated depreciation for				
Buildings and improvements	\$ 527,145	\$ 25,617	\$ -	\$ 552,762
Machinery and equipment	473,251	46,717	-	519,968
Total accumulated depreciation	\$ 1,000,396	\$ 72,334	\$ -	\$ 1,072,730
Total capital assets, depreciated, net	\$ 632,577	\$ (62,341)	\$ -	\$ 570,236
Governmental Activities Capital Assets, Net	\$ 737,989	\$ (62,341)	\$ 6,000	\$ 669,648

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets being depreciated				
Infrastructure	\$ 3,742,533	\$ -	\$ -	\$ 3,742,533
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	48,027	26,329	-	74,356
Total capital assets being depreciated	\$ 3,803,560	\$ 26,329	\$ -	\$ 3,829,889
Less: accumulated depreciation for				
Infrastructure	\$ 403,171	\$ 122,158	\$ -	\$ 525,329
Buildings and improvements	5,635	434	-	6,069
Machinery and equipment	32,894	3,400	-	36,294
Total accumulated depreciation	\$ 441,700	\$ 125,992	\$ -	\$ 567,692
Total capital assets, depreciated, net	\$ 3,361,860	\$ (99,663)	\$ -	\$ 3,262,197
Business-Type Activities Capital Assets, Net	\$ 3,365,860	\$ (99,663)	\$ -	\$ 3,266,197

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

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

Governmental Activities		
Public safety	\$	36,114
Highways and streets		11,279
Culture and recreation		24,705
Conservation of natural resources		236
Total Depreciation Expense - Governmental Activities	\$	72,334
Business-Type Activities		
Sewer	\$	21,922
Water		104,070
Total Depreciation Expense - Business-Type Activities	\$	125,992

B. Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following operating transfers:

Transfer to General Fund from Other Governmental	\$	487	To bring fund to a zero balance
Transfer to Other Governmental from General Fund		28,145	Fire protection fees
Transfer to Water Enterprise Fund from General Fund		9,000	To cover operating expenses
Total Interfund Transfers	\$	37,632	

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds (Continued)

C. Liabilities

Compensated Absences

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

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$6,138 at December 31, 2012, is available to full-time employees in the event of illness-related absences and is not paid to them at termination.

Long-Term Debt

Governmental Activities

City of Greenbush Public Project Notes of 2001, from the Minnesota Public Facilities Authority, represent debt incurred for economic development. These notes 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, 2012 is \$76,097.

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 \$10,057 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2012 is \$205,223.

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #1 represents debt incurred to finance the construction of the replacement and looping of the water main and gate valve repairs. This note has an original issue amount of \$349,676 with an addition of \$1,109,435 in 2010 for a total issue of \$1,459,111. It carries a net interest rate of 1.01 percent and is due in annual installments of between \$43,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2012 is \$1,327,476.

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #2 represents debt incurred to finance the construction of the new water treatment plant and installation of water meters. This note has an original issue amount of \$668,344 with an addition of \$108,112 in 2011 for a total issue of \$776,456. It carries a net interest rate of 1.15 percent and is due in annual installments of between \$23,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2012 is \$730,000.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2012, 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>
2013	\$ 20,289	\$ 3,909	\$ 10,057	\$ 9,010	\$ 66,000	\$ 21,707
2014	21,420	2,779	10,465	8,602	66,000	21,011
2015	22,613	1,585	10,894	8,173	68,000	20,315
2016	11,775	324	11,341	7,726	68,000	19,598
2017	-	-	11,817	7,250	69,000	18,881
2018-2022	-	-	67,135	28,200	357,000	83,311
2023-2027	-	-	83,514	11,821	376,000	64,073
2028-2032	-	-	-	-	397,000	43,824
2033-2037	-	-	-	-	418,000	22,444
2038-2039	-	-	-	-	172,476	2,734
	<u>\$ 76,097</u>	<u>\$ 8,597</u>	<u>\$ 205,223</u>	<u>\$ 80,782</u>	<u>\$ 2,057,476</u>	<u>\$ 317,898</u>

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Public Project Notes of 2001	\$ 95,314	\$ -	\$ 19,217	\$ 76,097	\$ 20,289
Compensated Absences	7,044	9,666	13,868	2,842	1,975
Governmental Activities Long-Term Liabilities	<u>\$ 102,358</u>	<u>\$ 9,666</u>	<u>\$ 33,085</u>	<u>\$ 78,939</u>	<u>\$ 22,264</u>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. 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, 2012, 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	\$ 214,889	\$ -	\$ 9,666	\$ 205,223	\$ 10,057
General Obligation Water Revenue Note of 2009 - MPFA	2,123,342	-	65,866	2,057,476	66,000
Compensated Absences	<u>857</u>	<u>2,618</u>	<u>1,750</u>	<u>1,725</u>	<u>1,725</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,339,088</u>	<u>\$ 2,618</u>	<u>\$ 77,282</u>	<u>\$ 2,264,424</u>	<u>\$ 77,782</u>

V. 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**

V. 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](http://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 6.25 percent, respectively, of their annual covered salary in 2012. Public Employees Police and Fire Fund members were required to contribute 9.60 percent of their annual covered salary in 2012. The City is required to contribute the following percentages of annual covered payroll in 2012 and 2013:

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

V. Pension Plans

Defined Benefit Plans

Funding Policy (Continued)

Public Employees Retirement Fund	
Basic Plan Members	11.78%
Coordinated Plan Members	7.25
Public Employees Police and Fire Fund	14.40

The City's contributions for the years ending December 31, 2012, 2011, and 2010, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2012	\$ 7,203	\$ 6,306
2011	6,358	5,689
2010	5,857	5,699

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

VI. 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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 225,220	\$ 225,220	\$ 221,531	\$ (3,689)
Special assessments	4,000	4,000	2,997	(1,003)
Licenses and permits	2,540	2,540	2,730	190
Intergovernmental	236,838	236,838	245,537	8,699
Charges for services	52,588	52,588	99,668	47,080
Fines and forfeitures	1,000	1,000	1,386	386
Gifts and contributions	5,000	5,000	94,613	89,613
Investment earnings	500	500	1,682	1,182
Miscellaneous	11,185	11,185	30,592	19,407
<b>Total Revenues</b>	<b>\$ 538,871</b>	<b>\$ 538,871</b>	<b>\$ 700,736</b>	<b>\$ 161,865</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 8,500	\$ 8,500	\$ 7,652	\$ 848
City clerk/treasurer	45,800	45,800	44,771	1,029
Elections	3,000	3,000	2,566	434
Professional services	4,500	4,500	4,500	-
Legal	1,500	1,500	700	800
Assessor	3,200	3,200	3,015	185
Buildings and grounds	-	-	7,705	(7,705)
Real estate taxes	1,300	1,300	2,791	(1,491)
Utilities	8,000	8,000	7,899	101
Insurance	14,850	14,850	13,375	1,475
Other general government	1,900	1,900	74,704	(72,804)
<b>Total general government</b>	<b>\$ 92,550</b>	<b>\$ 92,550</b>	<b>\$ 169,678</b>	<b>\$ (77,128)</b>
<b>Public safety</b>				
Police	\$ 71,450	\$ 71,450	\$ 84,299	\$ (12,849)
Fire	32,185	32,185	34,296	(2,111)
Fire relief association	11,000	11,000	11,456	(456)
Ambulance	4,704	4,704	4,314	390
<b>Total public safety</b>	<b>\$ 119,339</b>	<b>\$ 119,339</b>	<b>\$ 134,365</b>	<b>\$ (15,026)</b>
<b>Highways and streets</b>				
Streets and alleys	\$ 152,050	\$ 152,050	\$ 147,025	\$ 5,025
Street lighting	18,500	18,500	19,747	(1,247)
<b>Total highways and streets</b>	<b>\$ 170,550</b>	<b>\$ 170,550</b>	<b>\$ 166,772</b>	<b>\$ 3,778</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (continued)</b>				
<b>Culture and recreation</b>				
Ice rinks	\$ 1,550	\$ 1,550	\$ 1,515	\$ 35
Library	20,004	20,004	17,301	2,703
Parks	20,200	20,200	18,638	1,562
Recreational programs	9,800	9,800	9,370	430
Swimming pool	45,480	45,480	54,087	(8,607)
Other culture and recreation	900	900	497	403
<b>Total culture and recreation</b>	<b>\$ 97,934</b>	<b>\$ 97,934</b>	<b>\$ 101,408</b>	<b>\$ (3,474)</b>
<b>Conservation of natural resources</b>				
Weed and pest control	\$ 5,000	\$ 5,000	\$ 2,707	\$ 2,293
<b>Debt service</b>				
Principal retirement	\$ 19,217	\$ 19,217	\$ 19,217	\$ -
Interest	4,981	4,981	4,981	-
<b>Total debt service</b>	<b>\$ 24,198</b>	<b>\$ 24,198</b>	<b>\$ 24,198</b>	<b>\$ -</b>
<b>Capital outlay</b>				
General government	\$ -	\$ -	\$ 9,993	\$ (9,993)
<b>Total Expenditures</b>	<b>\$ 509,571</b>	<b>\$ 509,571</b>	<b>\$ 609,121</b>	<b>\$ (99,550)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 29,300</b>	<b>\$ 29,300</b>	<b>\$ 91,615</b>	<b>\$ 62,315</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 487	\$ 487
Transfers out	(17,000)	(17,000)	(37,145)	(20,145)
<b>Total other financing sources (uses)</b>	<b>\$ (17,000)</b>	<b>\$ (17,000)</b>	<b>\$ (36,658)</b>	<b>\$ (19,658)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 12,300</b>	<b>\$ 12,300</b>	<b>\$ 54,957</b>	<b>\$ 42,657</b>
<b>Fund Balance - January 1</b>	<b>291,808</b>	<b>291,808</b>	<b>291,808</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 304,108</b>	<b>\$ 304,108</b>	<b>\$ 346,765</b>	<b>\$ 42,657</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
RBEG REVOLVING LOAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 7,513	\$ 7,513	\$ 13,438	\$ 5,925
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Other economic development	-	-	11,000	(11,000)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 7,513	\$ 7,513	\$ 2,438	\$ (5,075)
<b>Fund Balance - January 1</b>	<u>8,100</u>	<u>8,100</u>	<u>8,100</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 15,613</u>	<u>\$ 15,613</u>	<u>\$ 10,538</u>	<u>\$ (5,075)</u>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
SMALL CITIES DEVELOPMENT PROGRAM SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 19,790	\$ 19,790
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Other economic development	2,000	2,000	129,022	(127,022)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (2,000)	\$ (2,000)	\$ (109,232)	\$ (107,232)
<b>Fund Balance - January 1</b>	<u>109,232</u>	<u>109,232</u>	<u>109,232</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 107,232</u>	<u>\$ 107,232</u>	<u>\$ -</u>	<u>\$ (107,232)</u>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

In September of each year, the City Council drafts a preliminary budget after giving interested citizens a reasonable opportunity to be heard. The final budget is approved in December and a certified levy is sent to Roseau County. Truth in taxation requires that a final levy may not exceed a preliminary levy.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

II. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2012:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Buildings and grounds	\$ 7,705	\$ -	\$ (7,705)
Real estate taxes	2,791	1,300	(1,491)
Other general government	74,704	1,900	(72,804)
Public safety			
Police	84,299	71,450	(12,849)
Fire	34,296	32,185	(2,111)
Fire relief association	11,456	11,000	(456)
Highways and streets			
Street lighting	19,747	18,500	(1,247)
Culture and recreation			
Swimming pool	54,087	45,480	(8,607)
Capital outlay			
General government	9,993	-	(9,993)
RBEG Revolving Loan Special Revenue Fund			
Economic development			
Other economic development	11,000	-	(11,000)
Small Cities Development Program			
Special Revenue Fund			
Economic development			
Other economic development	129,022	2,000	(127,022)

**SUPPLEMENTARY INFORMATION**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

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

The Fire Department Special Project/Equipment Special Revenue Fund is used to account for and report contributions, intergovernmental revenues, and miscellaneous revenues contributed by volunteer firemen committed to fire department equipment and assigned to public safety.

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

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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2012**

	<b>Fire Department</b>	<b>Fire Department Special Project/Equipment</b>	<b>General Special Projects</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,180	\$ 17,094	\$ 25,807	\$ 45,081
Investments	10,335	168,507	-	178,842
<b>Total Assets</b>	<b>\$ 12,515</b>	<b>\$ 185,601</b>	<b>\$ 25,807</b>	<b>\$ 223,923</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 763	\$ 2,526	\$ 3,289
<b>Fund Balances</b>				
Committed to				
Culture and recreation plan	\$ -	\$ -	\$ 23,281	\$ 23,281
Fire department equipment	12,346	182,336	-	194,682
Assigned to public safety	169	2,502	-	2,671
<b>Total Fund Balance</b>	<b>\$ 12,515</b>	<b>\$ 184,838</b>	<b>\$ 23,281</b>	<b>\$ 220,634</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,515</b>	<b>\$ 185,601</b>	<b>\$ 25,807</b>	<b>\$ 223,923</b>



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Fire Department</b>	<b>Fire Department Special Project/Equipment</b>	<b>General Special Projects</b>	<b>Golf Course</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>					
Charges for services	\$ -	\$ 2,956	\$ -	\$ 21,635	\$ 24,591
Gifts and contributions	2,146	13,889	32,340	-	48,375
Investment earnings	43	823	-	-	866
<b>Total Revenues</b>	<b>\$ 2,189</b>	<b>\$ 17,668</b>	<b>\$ 32,340</b>	<b>\$ 21,635</b>	<b>\$ 73,832</b>
<b>Expenditures</b>					
<b>Current</b>					
Public safety	\$ -	\$ 24,578	\$ -	\$ -	\$ 24,578
Culture and recreation	-	-	23,959	27,525	51,484
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 24,578</b>	<b>\$ 23,959</b>	<b>\$ 27,525</b>	<b>\$ 76,062</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,189</b>	<b>\$ (6,910)</b>	<b>\$ 8,381</b>	<b>\$ (5,890)</b>	<b>\$ (2,230)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ 28,145	\$ -	\$ -	\$ 28,145
Transfers out	-	-	-	(487)	(487)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 28,145</b>	<b>\$ -</b>	<b>\$ (487)</b>	<b>\$ 27,658</b>
<b>Net Change in Fund Balance</b>	<b>\$ 2,189</b>	<b>\$ 21,235</b>	<b>\$ 8,381</b>	<b>\$ (6,377)</b>	<b>\$ 25,428</b>
<b>Fund Balance - January 1</b>	<b>10,326</b>	<b>163,603</b>	<b>14,900</b>	<b>6,377</b>	<b>195,206</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,515</b>	<b>\$ 184,838</b>	<b>\$ 23,281</b>	<b>\$ -</b>	<b>\$ 220,634</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
FIRE DEPARTMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Gifts and contributions	\$ 750	\$ 750	\$ 2,146	\$ 1,396
Investment earnings	-	-	43	43
<b>Total Revenues</b>	<b>\$ 750</b>	<b>\$ 750</b>	<b>\$ 2,189</b>	<b>\$ 1,439</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Fire protection	100	100	-	100
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 650</b>	<b>\$ 650</b>	<b>\$ 2,189</b>	<b>\$ 1,539</b>
<b>Fund Balance - January 1</b>	<b>10,326</b>	<b>10,326</b>	<b>10,326</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,976</b>	<b>\$ 10,976</b>	<b>\$ 12,515</b>	<b>\$ 1,539</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 2,956	\$ 2,956	\$ 2,956	\$ -
Gifts and contributions	2,000	2,000	13,889	11,889
Investment earnings	-	-	823	823
<b>Total Revenues</b>	<b>\$ 4,956</b>	<b>\$ 4,956</b>	<b>\$ 17,668</b>	<b>\$ 12,712</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Fire	2,000	2,000	24,578	(22,578)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,956</b>	<b>\$ 2,956</b>	<b>\$ (6,910)</b>	<b>\$ (9,866)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,000	8,000	28,145	20,145
<b>Net Change in Fund Balance</b>	<b>\$ 10,956</b>	<b>\$ 10,956</b>	<b>\$ 21,235</b>	<b>\$ 10,279</b>
<b>Fund Balance - January 1</b>	<b>163,603</b>	<b>163,603</b>	<b>163,603</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 174,559</b>	<b>\$ 174,559</b>	<b>\$ 184,838</b>	<b>\$ 10,279</b>

## **OTHER SCHEDULES**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**Schedule 6**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Shared Revenue**

**State**

Fire state aid	\$ 11,456
Local government aid	220,770
PERA rate reimbursement	668
Police state aid	<u>5,766</u>

**Total Shared Revenue** **\$ 238,660**

**Grants**

**State**

**Minnesota Department/Board of**

Public Safety	\$ 4,210
Peace Officer Standards and Training	<u>332</u>

**Total State Grants** **\$ 4,542**

**Federal**

Department of Health and Human Services	<u>2,335</u>
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**Total Grants** **\$ 6,877**

**Total Intergovernmental Revenue** **\$ 245,537**

**MANAGEMENT AND COMPLIANCE SECTION**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**Schedule 7**

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

**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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**Schedule 7**  
***(Continued)***

financial statements that are fairly presented in conformity with GAAP. Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and to maintain suitable skills, knowledge, and expertise 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.*





**GOVERNMENTAL AUDIT SERVICES**

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

City Council  
City of Greenbush

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2013.

**Internal Control Over Financial Reporting**

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 04-1 and 07-1, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **Minnesota Legal Compliance**

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.

## **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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



Hoffman, Dale, & Swenson, PLLC

May 31, 2013