

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2008

**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, 2008**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected		
Scott Waage	Mayor	December 31, 2010
Lavern Emery	Councilmember	December 31, 2010
Jon Foss	Councilmember	December 31, 2010
Sandy McFarlane	Councilmember	December 31, 2012
Matthew Williamson *	Councilmember	December 31, 2008
Appointed		
Anita Locken	Clerk/Treasurer	Indefinite

* Replaced by Dennis Filer in 2009.

FINANCIAL SECTION



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

GOVERNMENTAL AUDIT SERVICES

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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Greenbush's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2009, on our consideration of the City of Greenbush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and the supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Greenbush. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

March 11, 2009



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, 2008. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net assets of governmental activities are \$1,409,582, of which \$741,033 is invested in capital assets, net of related debt, \$45,099 is restricted for specific purposes, and \$623,450 is unrestricted. The total net assets of governmental activities increased by \$27,061 for the year ended December 31, 2008. This is attributed primarily to the retirement of debt.

The total net assets of business-type activities are \$512,006, of which \$329,612 is invested in capital assets, net of related debt, and \$182,394 is unrestricted. The total net assets of business-type activities increased by \$26,729 in 2008, as a result of the capitalization of engineering costs for the proposed water and sewer expansion.

At the close of 2008, the City's governmental funds reported combined ending fund balances of \$577,479, an increase of \$98,684, from the prior year. Of the total fund balance amount, \$45,099 is legally or contractually reserved, \$190,930 is designated for specific purposes, and an additional \$341,450 is available for spending at the City's discretion and is noted as unreserved, undesignated fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 24 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$1,921,588 at the close of 2008. The largest portion of the City's net assets (approximately 56 percent) reflects its investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment), net of related debt to acquire those assets. It should be noted that this amount is not available for future spending. Approximately two percent of the City's net assets are restricted for debt service and public safety and 42 percent of the City's net assets are unrestricted. The unrestricted net asset amount of \$805,844 as of December 31, 2008, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$5,778, from the prior year, primarily due to the capitalization of engineering costs for the water and sewer expansion. Total liabilities decreased by \$48,012, from the prior year, due to the retirement of debt. This resulted in increased net assets of \$53,790 from the prior year.

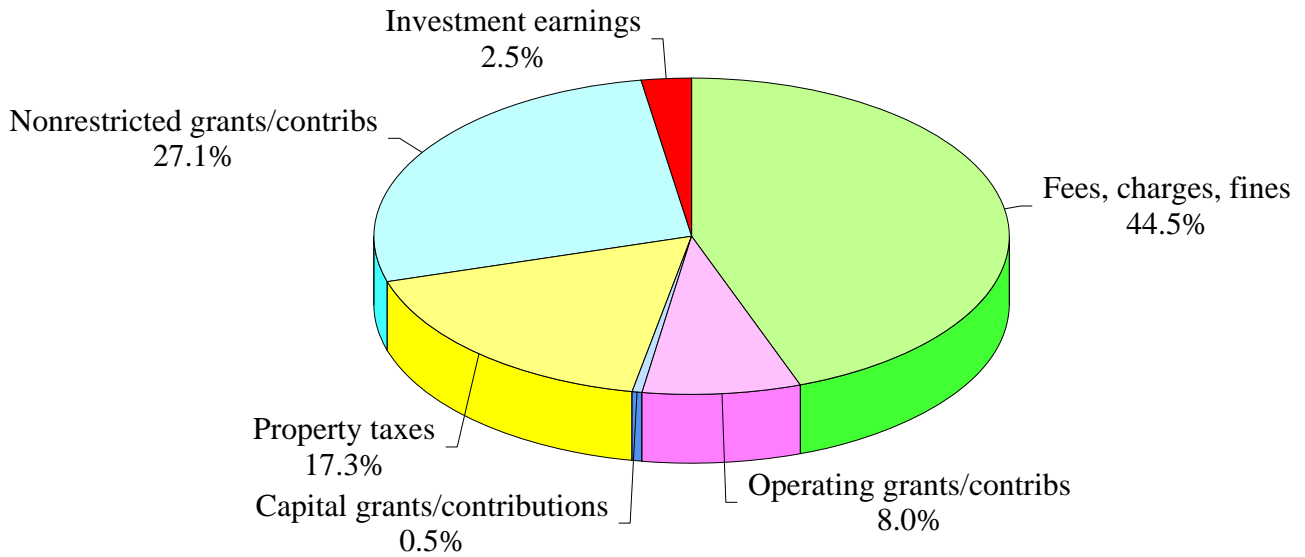
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 769,714	\$ 719,611	\$ 209,605	\$ 228,326	\$ 979,319	\$ 947,937
Capital assets	888,118	964,023	571,334	521,033	1,459,452	1,485,056
Total assets	\$ 1,657,832	\$ 1,683,634	\$ 780,939	\$ 749,359	\$ 2,438,771	\$ 2,432,993
Other liabilities	\$ 12,646	\$ 39,976	\$ 26,620	\$ 3,880	\$ 39,266	\$ 43,856
Long-term liabilities outstanding	235,604	261,137	242,313	260,202	477,917	521,339
Total liabilities	\$ 248,250	\$ 301,113	\$ 268,933	\$ 264,082	\$ 517,183	\$ 565,195
Net assets						
Invested in capital assets, net of related debt	\$ 741,033	\$ 701,520	\$ 329,612	\$ 261,033	\$ 1,070,645	\$ 962,553
Restricted	45,099	37,762	-	-	45,099	37,762
Unrestricted	623,450	643,239	182,394	224,244	805,844	867,483
Total net assets	\$ 1,409,582	\$ 1,382,521	\$ 512,006	\$ 485,277	\$ 1,921,588	\$ 1,867,798

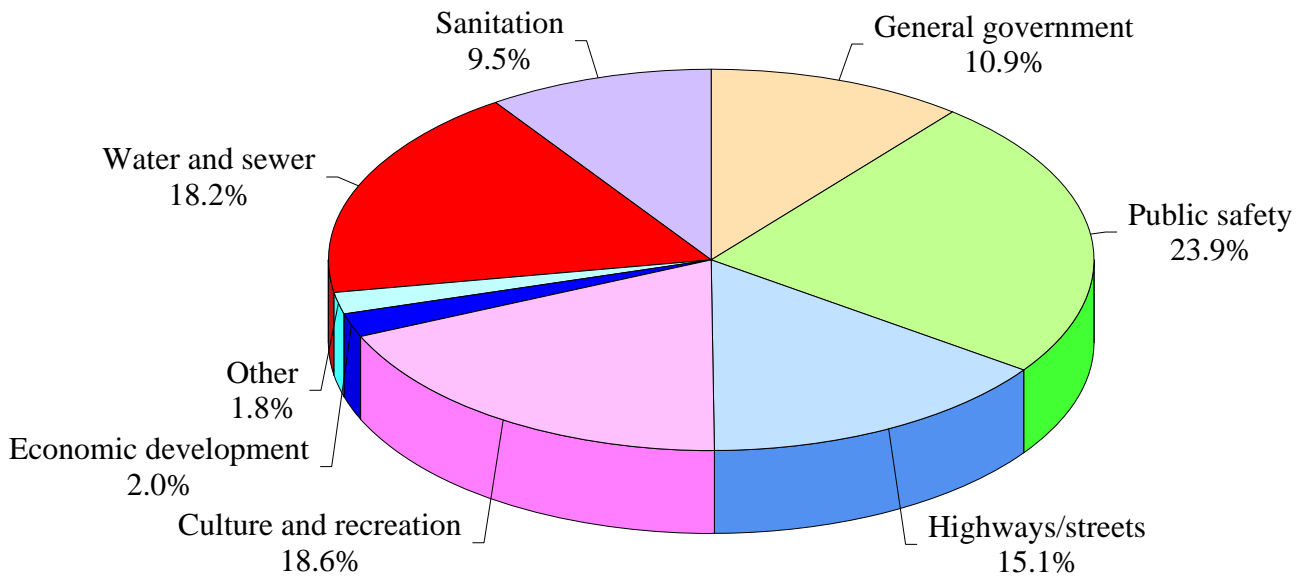
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for services	\$ 135,180	\$ 113,036	\$ 235,210	\$ 208,871	\$ 370,390	321,907
Operating grants and contributions	66,901	90,898	-	-	66,901	90,898
Capital grants and contributions	2,801	8,523	1,541	1,097	4,342	9,620
General Revenues						
Property taxes	141,928	140,101	2,539	-	144,467	140,101
Grants and contributions not restricted to specific programs	225,716	228,673	-	-	225,716	228,673
Investment earnings	17,522	17,006	3,565	3,296	21,087	20,302
Total revenues	\$ 590,048	\$ 598,237	\$ 242,855	\$ 213,264	\$ 832,903	\$ 811,501
Expenses						
General government	\$ 84,824	\$ 96,578	\$ -	\$ -	\$ 84,824	\$ 96,578
Public safety	186,422	177,961	-	-	186,422	177,961
Highways and streets	117,276	113,284	-	-	117,276	113,284
Culture and recreation	144,603	135,881	-	-	144,603	135,881
Conservation of natural resources	289	4,360	-	-	289	4,360
Economic development	15,675	29,071	-	-	15,675	29,071
Interest	13,898	15,702	-	-	13,898	15,702
Water and sewer	-	-	142,070	133,718	142,070	133,718
Utilities	-	-	74,056	61,461	74,056	61,461
Total expenses	\$ 562,987	\$ 572,837	\$ 216,126	\$ 195,179	\$ 779,113	\$ 768,016
Increase (decrease) in net assets	\$ 27,061	\$ 25,400	\$ 26,729	\$ 18,085	\$ 53,790	\$ 43,485
Net assets, January 1	1,382,521	1,357,121	485,277	467,192	1,867,798	1,824,313
Net assets, December 31	\$ 1,409,582	\$ 1,382,521	\$ 512,006	\$ 485,277	\$ 1,921,588	\$ 1,867,798

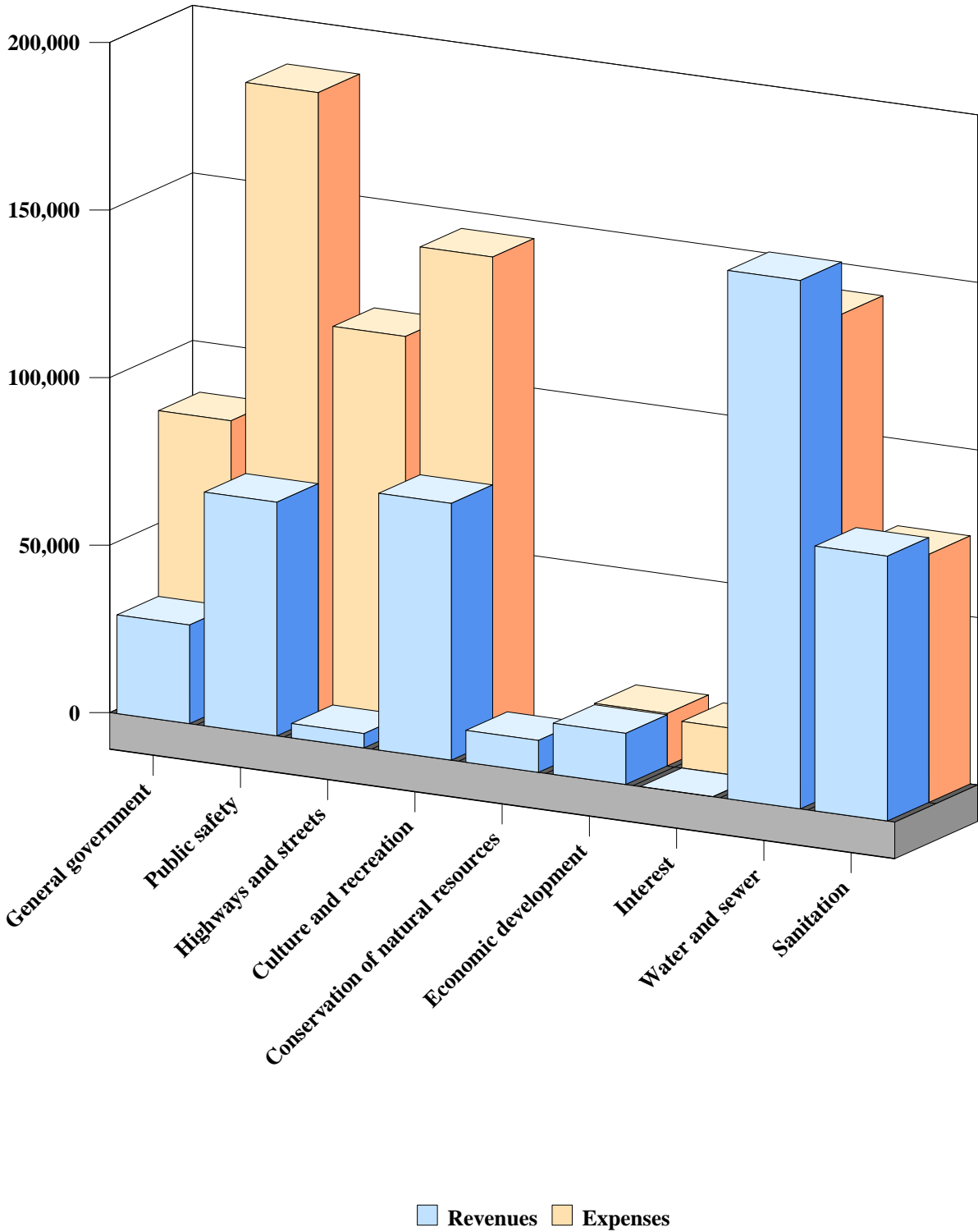
Revenues by Source



Expenses by Function



Program Revenues & Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

At the end of 2008, the City's governmental funds reported combined ending fund balances of \$577,479. Of this amount, approximately eight percent constitutes legally or contractually reserved fund balance, 33 percent constitutes specifically designated fund balance, and 59 percent constitutes available unreserved, undesignated fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$276,717. The General Fund's reserved fund balances totaled \$7,816 and designated fund balances totaled \$190,930. The General Fund's unreserved, undesignated fund balance totaled \$77,971. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance to total fund expenditures for 2008. Unreserved fund balances represents about 64 percent of total General Fund expenditures, while total fund balance represents about 66 percent of that same amount.

In 2008, the fund balance amount in the General Fund increased by \$77,847. The primary reason for this increase was due to no capital asset purchases in 2008 accompanied by the sale of land at the airport and a lot in the Oakview Estates.

The fund balance of the Fire Department Special Project/Equipment Special Revenue Fund increased \$12,375 from the prior year. This increase was also due to no capital asset purchases in 2008.

The fund balance of the RBEG Revolving Loan Special Revenue Fund increased \$5,409 from the prior year, as a result of repayment on loans.

The fund balance of the Street Improvement Debt Service Fund increased \$4,840 from the prior year, due to an increase in the amount of revenue collected from previous assessments, increased investments earnings, and lower principal and interest payments in 2008.

Proprietary Fund

The Water and Sewer Enterprise Fund reported an operating income in 2008 of \$25,459, indicating that it is collecting fees for services at a rate higher than costs.

The Sanitation Enterprise Fund reported an operating income in 2008 of \$4,988, indicating that it is collecting fees for services at a rate slightly more than costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$39,491. The largest positive variances were in unbudgeted miscellaneous general government revenues and intergovernmental revenues due to unbudgeted market value credits.

Actual expenditures were less than overall final budgeted expenditures by \$23,452, as a result of unbudgeted debt service payments.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounted to \$1,459,452 (net of accumulated depreciation). The total decrease in the City's investment in capital assets for the current fiscal year was approximately two percent. This decrease was due to depreciation of capital assets of \$97,727, along with the sale of land.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 124,962	\$ 127,462	\$ 4,000	\$ 4,000	\$ 128,962	\$ 131,462
Construction in progress	-	-	74,623	-	74,623	-
Infrastructure	-	-	458,711	481,733	458,711	481,733
Buildings and improvements	514,462	542,190	8,667	9,100	523,129	551,290
Machinery and equipment	248,694	294,371	25,333	26,200	274,027	320,571
Total capital assets	\$ 888,118	\$ 964,023	\$ 571,334	\$ 521,033	\$ 1,459,452	\$ 1,485,056

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 \$468,808 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
G.O. Improvement Bonds of 1996	\$ 80,000	\$ 95,000	\$ -	\$ -	\$ 80,000	\$ 95,000
Public Project Notes of 2001	147,086	162,554	-	-	147,086	162,554
G.O. Water and Sewer Revenue Bonds of 1996	-	-	-	10,000	-	10,000
G.O. Water and Sewer Revenue Bonds of 2006	-	-	241,722	250,000	241,722	250,000
Total	\$ 227,086	\$ 257,554	\$ 241,722	\$ 260,000	\$ 468,808	\$ 517,554

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 2008, overall debt of the City is below the three percent debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Specific unemployment statistics for the City of Greenbush are not available. However, the unemployment rate for Roseau County was 4.9 percent as of December 31, 2008. This is lower than the statewide rate of 6.8 percent and the national average rate of 7.1 percent.

- The City is finalizing plans to improve the infrastructure in the City and extend water and sewer mains to a new LifeCare Medical nursing home facility. The project will also include a new water treatment plant, well, the replacement of a sewer lift station and installation of water meters. This process will require the City to take out some form of financing to cover the expenditures, but will improve water and sewer infrastructure for the entire City.
- The City is also in the process of relocating the Greenbush Municipal Airport. This project requires the City to locate and purchase land to build upon. At this time an airport committee is working with engineers and the Minnesota Department of Aeronautics to help them design and build a new public airport for the City.
- On December 11, 2008, the City of Greenbush set its 2009 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled deposits	\$ 172,766	\$ 92,831	\$ 265,597
Fund deposits	407,074	83,595	490,669
Taxes receivable			
Current	2,670	195	2,865
Prior	10,687	-	10,687
Special assessments receivable			
Current	248	-	248
Prior	1,679	1,367	3,046
Accounts receivable	7,276	23,730	31,006
Due from other governments	91	-	91
Notes receivable	1,157	-	1,157
Loans receivable	132,402	-	132,402
Special assessments receivable - noncurrent	33,664	7,887	41,551
Capital assets			
Non-depreciable	124,962	78,623	203,585
Depreciable - net of accumulated depreciation	763,156	492,711	1,255,867
Total Assets	\$ 1,657,832	\$ 780,939	\$ 2,438,771
<u>Liabilities</u>			
Accounts payable	\$ 7,152	\$ 23,853	\$ 31,005
Salaries payable	2,283	599	2,882
Due to other governments	3,211	2,168	5,379
Long-term liabilities			
Due within one year	41,124	8,756	49,880
Due within more than one year	194,480	233,557	428,037
Total Liabilities	\$ 248,250	\$ 268,933	\$ 517,183
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 741,033	\$ 329,612	\$ 1,070,645
Restricted for			
Debt service	37,283	-	37,283
Public safety	7,816	-	7,816
Unrestricted	623,450	182,394	805,844
Total Net Assets	\$ 1,409,582	\$ 512,006	\$ 1,921,588

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Fees, Charges, Fines and Other</u>	<u>Operating Grants and Contributions</u>
Governmental activities			
General government	\$ 84,824	\$ 28,874	\$ 560
Public safety	186,422	40,386	29,342
Highways and streets	117,276	1,484	-
Culture and recreation	144,603	39,624	36,999
Conservation of natural resources	289	9,538	-
Economic development	15,675	15,274	-
Interest	13,898	-	-
Total governmental activities	\$ 562,987	\$ 135,180	\$ 66,901
Business-Type activities			
Water and sewer	\$ 142,070	\$ 156,166	\$ -
Sanitation	74,056	79,044	-
Total business-type activities	\$ 216,126	\$ 235,210	\$ -
Total	\$ 779,113	\$ 370,390	\$ 66,901

General revenues

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

Total general revenues

Change in net assets

Net assets - January 1

Net assets - December 31

EXHIBIT 2

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (55,390)	\$ -	\$ (55,390)
-	(116,694)	-	(116,694)
2,801	(112,991)	-	(112,991)
-	(67,980)	-	(67,980)
-	9,249	-	9,249
-	(401)	-	(401)
-	(13,898)	-	(13,898)
<u>\$ 2,801</u>	<u>\$ (358,105)</u>	<u>\$ -</u>	<u>\$ (358,105)</u>
\$ 1,541	\$ -	\$ 15,637	\$ 15,637
-	-	4,988	4,988
<u>\$ 1,541</u>	<u>\$ -</u>	<u>\$ 20,625</u>	<u>\$ 20,625</u>
<u>\$ 4,342</u>	<u>\$ (358,105)</u>	<u>\$ 20,625</u>	<u>\$ (337,480)</u>
	\$ 141,928	\$ 2,539	\$ 144,467
	225,716	-	225,716
	17,522	3,565	21,087
	<u>\$ 385,166</u>	<u>\$ 6,104</u>	<u>\$ 391,270</u>
	\$ 27,061	\$ 26,729	\$ 53,790
	<u>1,382,521</u>	<u>485,277</u>	<u>1,867,798</u>
	<u>\$ 1,409,582</u>	<u>\$ 512,006</u>	<u>\$ 1,921,588</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Fire Department Special Project/ Equipment Special Revenue</u>	<u>RBEG Revolving Loan Special Revenue</u>	<u>Street Improvement Debt Service</u>	<u>Other Governmental Funds (Statement 1)</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and pooled deposits	\$ 98,082	\$ 46,428	\$ 10,578	\$ 8,053	\$ 24,028	\$ 187,169
Fund deposits	187,235	111,390	-	28,981	79,468	407,074
Taxes receivable						
Current	2,669	-	-	1	-	2,670
Prior	10,015	-	-	672	-	10,687
Special assessments receivable						
Current	-	-	-	248	-	248
Prior	-	-	-	1,679	-	1,679
Accounts receivable	1,084	-	-	-	6,192	7,276
Due from other governments	91	-	-	-	-	91
Notes receivable	-	-	-	-	1,157	1,157
Loans receivable	-	-	132,402	-	-	132,402
Special assessments receivable - noncurrent	-	-	-	33,664	-	33,664
Total Assets	\$ 299,176	\$ 157,818	\$ 142,980	\$ 73,298	\$ 110,845	\$ 784,117
<u>Liabilities and Fund Balances</u>						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 14,403	\$ 14,403
Accounts payable	6,950	-	-	-	202	7,152
Salaries payable	2,283	-	-	-	-	2,283
Due to other governments	3,211	-	-	-	-	3,211
Deferred revenue - unavailable	10,015	-	132,402	36,015	1,157	179,589
Total Liabilities	\$ 22,459	\$ -	\$ 132,402	\$ 36,015	\$ 15,762	\$ 206,638
Fund Balances						
Reserved for						
Debt service	\$ -	\$ -	\$ -	\$ 37,283	\$ -	\$ 37,283
Police contingency	12	-	-	-	-	12
Police DARE	7,804	-	-	-	-	7,804
Unreserved						
Designated for						
Cash flows	68,330	-	-	-	-	68,330
Orange Bridge	10,000	-	-	-	-	10,000
Shop equipment	37,600	-	-	-	-	37,600
Street improvements	75,000	-	-	-	-	75,000
Undesignated	77,971	157,818	10,578	-	95,083	341,450
Total Fund Balances	\$ 276,717	\$ 157,818	\$ 10,578	\$ 37,283	\$ 95,083	\$ 577,479
Total Liabilities and Fund Balances	\$ 299,176	\$ 157,818	\$ 142,980	\$ 73,298	\$ 110,845	\$ 784,117

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)	\$	577,479
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		888,118
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		179,589
<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	\$ (8,518)	
Notes payable	(147,086)	
General obligation bonds	(80,000)	(235,604)
Net assets of governmental activities (Exhibit 1)	\$	<u>1,409,582</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Fire Department Special Project/ Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Street Improvement Debt Service	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues						
Taxes	\$ 134,323	\$ -	\$ -	\$ 5,124	\$ -	\$ 139,447
Special assessments	-	-	-	17,747	-	17,747
Licenses and permits	3,720	-	-	-	-	3,720
Intergovernmental	242,523	-	-	-	-	242,523
Charges for services	51,079	5,355	-	-	1,732	58,166
Fines and forfeitures	1,484	-	-	-	-	1,484
Gifts and contributions	11,059	8,500	-	-	32,245	51,804
Investment earnings	7,900	4,336	-	2,137	3,149	17,522
Miscellaneous	24,973	13,442	5,409	-	33,979	77,803
Total Revenues	\$ 477,061	\$ 31,633	\$ 5,409	\$ 25,008	\$ 71,105	\$ 610,216
Expenditures						
Current						
General government	\$ 83,437	\$ -	\$ -	\$ -	\$ -	\$ 83,437
Public safety	116,303	27,258	-	-	-	143,561
Highways and streets	104,101	-	-	-	-	104,101
Culture and recreation	90,477	-	-	-	32,729	123,206
Conservation of natural resources	53	-	-	-	-	53
Economic development	-	-	-	-	12,808	12,808
Debt service						
Principal retirement	15,468	-	-	15,000	-	30,468
Interest	8,730	-	-	5,168	-	13,898
Total Expenditures	\$ 418,569	\$ 27,258	\$ -	\$ 20,168	\$ 45,537	\$ 511,532
Excess of Revenues Over (Under) Expenditures	\$ 58,492	\$ 4,375	\$ 5,409	\$ 4,840	\$ 25,568	\$ 98,684
Other Financing Sources (Uses)						
Transfers in	\$ 27,355	\$ 8,000	\$ -	\$ -	\$ -	\$ 35,355
Transfers out	(8,000)	-	-	-	(27,355)	(35,355)
Total Other Financing Sources (Uses)	\$ 19,355	\$ 8,000	\$ -	\$ -	\$ (27,355)	\$ -
Net Change in Fund Balance	\$ 77,847	\$ 12,375	\$ 5,409	\$ 4,840	\$ (1,787)	\$ 98,684
Fund Balance - January 1	198,870	145,443	5,169	32,443	96,870	478,795
Fund Balance - December 31	\$ 276,717	\$ 157,818	\$ 10,578	\$ 37,283	\$ 95,083	\$ 577,479

**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, 2008**

Net change in fund balance - total governmental funds (Exhibit 5)	\$	98,684
<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>		
Net book value of assets sold	\$ (2,500)	
Current year depreciation	<u>(73,405)</u>	(75,905)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>		
Change in taxes and special assessments receivable	\$ (12,465)	
Change in notes receivable	(1,140)	
Change in loans receivable	<u>(4,063)</u>	(17,668)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Principal repayments		
Notes payable	\$ 15,468	
General obligation bonds	<u>15,000</u>	30,468
<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		<u>(8,518)</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u>27,061</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	Water and Sewer Enterprise	Sanitation Enterprise	Total
<u>Assets</u>			
Current Assets			
Cash and pooled deposits	\$ 58,057	\$ 34,774	\$ 92,831
Fund deposits	39,011	44,584	83,595
Property taxes receivable - current	195	-	195
Special assessments receivable - prior	1,367	-	1,367
Accounts receivable	15,295	8,435	23,730
Total Current Assets	\$ 113,925	\$ 87,793	\$ 201,718
Noncurrent Assets			
Special assessments receivable	\$ 7,887	\$ -	\$ 7,887
Capital assets			
Non-depreciable	78,623	-	78,623
Depreciable - net of accumulated depreciation	492,711	-	492,711
Total Noncurrent Assets	\$ 579,221	\$ -	\$ 579,221
Total Assets	\$ 693,146	\$ 87,793	\$ 780,939
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 23,853	\$ -	\$ 23,853
Salaries payable	599	-	599
Compensated absences payable	155	-	155
Due to other governments	1,448	720	2,168
General obligation revenue bonds payable	8,601	-	8,601
Total Current Liabilities	\$ 34,656	\$ 720	\$ 35,376
Noncurrent Liabilities			
Compensated absences payable	\$ 436	\$ -	\$ 436
General obligation revenue bonds payable	233,121	-	233,121
Total Noncurrent Liabilities	\$ 233,557	\$ -	\$ 233,557
Total Liabilities	\$ 268,213	\$ 720	\$ 268,933
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 329,612	\$ -	\$ 329,612
Unrestricted	95,321	87,073	182,394
Total Net Assets	\$ 424,933	\$ 87,073	\$ 512,006

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Water and Sewer Enterprise</u>	<u>Sanitation Enterprise</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 155,792	\$ 79,044	\$ 234,836
Miscellaneous	374	-	374
Total Operating Revenues	\$ 156,166	\$ 79,044	\$ 235,210
Operating Expenses			
Personal services	\$ 39,996	\$ -	\$ 39,996
Payroll tax/benefits	10,378	-	10,378
Contracted services	-	74,056	74,056
Insurance	3,100	-	3,100
Permits	2,172	-	2,172
Postage	1,031	-	1,031
Staff training	1,708	-	1,708
Supplies	31,927	-	31,927
Utilities	7,241	-	7,241
Miscellaneous	8,832	-	8,832
Depreciation	24,322	-	24,322
Total Operating Expenses	\$ 130,707	\$ 74,056	\$ 204,763
Operating Income (Loss)	\$ 25,459	\$ 4,988	\$ 30,447
Nonoperating Revenues (Expenses)			
Property taxes	\$ 2,539	\$ -	\$ 2,539
Special assessments	1,541	-	1,541
Investment earnings	1,664	1,901	3,565
Interest expense	(11,363)	-	(11,363)
Total Nonoperating Revenues (Expenses)	\$ (5,619)	\$ 1,901	\$ (3,718)
Change in Net Assets	\$ 19,840	\$ 6,889	\$ 26,729
Net Assets - January 1	405,093	80,184	485,277
Net Assets - December 31	\$ 424,933	\$ 87,073	\$ 512,006

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Water and Sewer Enterprise</u>	<u>Sanitation Enterprise</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 153,243	\$ 77,197	\$ 230,440
Payments to employees	(50,579)	-	(50,579)
Payments to suppliers	(54,575)	(74,046)	(128,621)
Net cash provided by (used in) operating activities	\$ 48,089	\$ 3,151	\$ 51,240
Cash Flows from Noncapital Financing Activities			
Property taxes received	\$ 4,470	\$ -	\$ 4,470
Cash Flows from Capital and Related Financing Activities			
Principal paid on bonds	\$ (18,278)	\$ -	\$ (18,278)
Interest paid on bonds	(11,363)	-	(11,363)
Capital outlay for construction in progress	(53,407)	-	(53,407)
Special assessments received	4,527	-	4,527
Net cash provided by (used in) capital and related financing activities	\$ (78,521)	\$ -	\$ (78,521)
Cash Flows from Investing Activities			
Investment earnings received	\$ 1,664	\$ 1,901	\$ 3,565
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (24,298)	\$ 5,052	\$ (19,246)
Cash and Cash Equivalents at January 1	121,366	74,306	195,672
Cash and Cash Equivalents at December 31	\$ 97,068	\$ 79,358	\$ 176,426

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Water and Sewer Enterprise</u>	<u>Sanitation Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 25,459	\$ 4,988	\$ 30,447
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 24,322	\$ -	\$ 24,322
Decrease (increase) in assets			
Accounts receivable	(2,923)	(2,519)	(5,442)
Increase (decrease) in liabilities			
Accounts payable	(12)	(38)	(50)
Salaries payable	(594)	-	(594)
Compensated absences payable	389	-	389
Due to other governments	1,448	720	2,168
Total adjustments	\$ 22,630	\$ (1,837)	\$ 20,793
Net cash provided by (used in) operating activities	\$ 48,089	\$ 3,151	\$ 51,240

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

I. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

The Water and Sewer Enterprise Fund is used to account for operations of the water and sewer utilities.

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

Additionally, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the City's investments 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 deposits are reported at their fair value at December 31, 2008, based on market prices. Investment earnings on cash and deposits are allocated to the funds. City funds also participate in a pooled checking account for operating purposes. Pooled investment earnings for 2008 were \$834. Total investment earnings for 2008 were \$21,087.

3. Receivables and Payables

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2002 through 2008 and deferred special assessments collectible in 2009 and beyond. Taxes receivable are offset by deferred revenue for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

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

4. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. During the current period, the City did not have any capitalized interest.

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	10-30
Buildings and improvements	30
Machinery and equipment	10

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

8. Net Assets and Fund Balance

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

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

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Economic Development Incubator Special Revenue Fund had a deficit fund balance of \$8,340 as of December 31, 2008. The deficit is a result of expenses over several years in excess of revenues.

B. Excess of Expenditures Over Budget – Nonmajor Funds

The following nonmajor funds had expenditures in excess of budget as of December 31, 2008:

	Expenditures	Budget	Excess
General Special Projects Special Revenue Fund	\$ 9,922	\$ -	\$ (9,922)
Legion Park Special Revenue Fund	22,807	1,060	(21,747)

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City's total cash and deposits to the basic financial statements, as of December 31, 2008, are as follows:

Government-wide Statement of Net Assets	
Governmental Activities	
Cash and pooled deposits	\$ 172,766
Fund deposits	407,074
Business-type Activities	
Cash and pooled deposits	92,831
Fund deposits	83,595
Total Cash and Deposits	\$ 756,266
Deposits	\$ 756,166
Petty cash and change funds	100
Total Deposits and Cash on Hand	\$ 756,266

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all City deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City 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, 2008, the City's deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2008, for the City's governmental activities and business-type activities, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 13,357	\$ -
Special Assessments	35,591	33,664
Accounts	7,276	-
Due from other governments	91	-
Notes	1,157	-
Loans	132,402	-
	<u>\$ 189,874</u>	<u>\$ 33,664</u>
Total Governmental Activities	<u>\$ 189,874</u>	<u>\$ 33,664</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Taxes	\$ 195	\$ -
Special assessments	9,254	7,887
Accounts	23,730	-
Total Business-Type Activities	\$ 33,179	\$ 7,887

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 127,462	\$ -	\$ 2,500	\$ 124,962
Capital assets being depreciated				
Buildings and improvements	\$ 984,824	\$ -	\$ -	\$ 984,824
Machinery and equipment	566,089		-	566,089
Total capital assets being depreciated	\$ 1,550,913	\$ -	\$ -	\$ 1,550,913
Less: accumulated depreciation for				
Buildings and improvements	\$ 442,634	\$ 27,728	\$ -	\$ 470,362
Machinery and equipment	271,718	45,677	-	317,395
Total accumulated depreciation	\$ 714,352	\$ 73,405	\$ -	\$ 787,757
Total capital assets, depreciated, net	\$ 836,561	\$ (73,405)	\$ -	\$ 763,156
Governmental Activities Capital Assets, Net	\$ 964,023	\$ (73,405)	\$ 2,500	\$ 888,118

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	-	74,623	-	74,623
 Total capital assets not depreciated	 \$ 4,000	 \$ 74,623	 \$ -	 \$ 78,623
Capital assets being depreciated				
Infrastructure	\$ 751,943	\$ -	\$ -	\$ 751,943
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	48,027	-	-	48,027
 Total capital assets being depreciated	 \$ 812,970	 \$ -	 \$ -	 \$ 812,970
Less: accumulated depreciation for				
Infrastructure	\$ 270,211	\$ 23,021	\$ -	\$ 293,232
Buildings and improvements	3,899	434	-	4,333
Machinery and equipment	21,827	867	-	22,694
 Total accumulated depreciation	 295,937	 24,322	 -	 320,259
 Total capital assets, depreciated, net	 \$ 517,033	 \$ (24,322)	 \$ -	 \$ 492,711
 Business-Type Activities Capital Assets, Net	 \$ 521,033	 \$ 50,301	 \$ -	 \$ 571,334

Depreciation Expense

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

Governmental Activities	
Public safety	\$ 37,626
Highways and streets	11,279
Culture and recreation	21,397
Conservation of natural resources	236
Economic development	2,867
 Total Depreciation Expense - Governmental Activities	 \$ 73,405
 Business-Type Activities Water and Sewer	 \$ 24,322

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following operating transfers:

Transfer to General Fund from Other Governmental	\$ 27,355	To transfer contributions to Skate Park Fund and to reclassify investments
Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	8,000	To cover operating expenses
Total Interfund Transfers	\$ 35,355	

These amounts will not be paid back.

C. Liabilities

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of December 31, 2008, the components of deferred unavailable revenue reported in the governmental funds were as follows:

	Deferred Unavailable
Taxes	\$ 10,687
Special Assessments	35,343
Notes receivable	1,157
Loans receivable	132,402
Total Deferred Revenue	\$ 179,589

Long-Term Debt

Governmental Activities

City of Greenbush General Obligation Improvement Bonds of 1996 represent debt incurred for street improvements. These bonds have an original issue amount of \$270,000. They carry an interest rate from 5.41 to 5.75 percent and are due in annual installments of \$20,000 through February 1, 2012. The balance outstanding at December 31, 2008 is \$80,000.

City of Greenbush Public Project Notes of 2001, from the Minnesota Public Facilities Authority, represent debt incurred for economic development. These bonds have an original issue amount of \$245,000. They carry a net interest rate of 5.5 percent, and are due in annual installments of \$11,775 to \$22,613 through February 1, 2016. The balance outstanding at December 31, 2008 is \$147,086.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Business-Type Activities

City of Greenbush General Obligation Water and Sewer Revenue Bonds of 1996 represent debt incurred for the construction of city water and sewer systems. These bonds have an original issue amount of \$30,000. They carry a net interest rate of 5.60 percent, and are due in annual installments of \$2,000 through February 1, 2012. These bonds were paid off in 2008.

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 \$8,601 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2008 is \$241,722.

Debt Service Requirements

Debt service requirements at December 31, 2008, are as follows:

	Governmental Activities				Business-Type Activities	
	General Obligation Improvement Bonds of 1996		Public Project Notes of 2001		General Obligation Water and Swer Revenue Bonds of 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 20,000	\$ 4,160	\$ 16,330	\$ 7,868	\$ 8,601	\$ 10,466
2010	20,000	2,990	17,240	6,958	8,937	10,130
2011	20,000	1,800	18,202	5,996	9,294	9,773
2012	20,000	600	19,217	4,981	9,666	9,401
2013	-	-	20,289	3,909	10,058	9,009
2014-2018	-	-	55,808	4,688	56,829	38,506
2019-2023	-	-	-	-	70,078	25,257
2024-2027	-	-	-	-	68,259	8,009
	<u>\$ 80,000</u>	<u>\$ 9,550</u>	<u>\$ 147,086</u>	<u>\$ 34,400</u>	<u>\$ 241,722</u>	<u>\$ 120,551</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Improvement Bonds of 1996	\$ 95,000	\$ -	\$ 15,000	\$ 80,000	\$ 20,000
Public Project Notes of 2001	162,554	-	15,468	147,086	16,330
Compensated Absences	<u>3,583</u>	<u>6,056</u>	<u>1,121</u>	<u>8,518</u>	<u>4,794</u>
Governmental Activities Long-Term Liabilities	<u>\$ 261,137</u>	<u>\$ 6,056</u>	<u>\$ 31,589</u>	<u>\$ 235,604</u>	<u>\$ 41,124</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2008, 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 1996	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -
General Obligation Water and Sewer Revenue Bonds of 2006	250,000	-	8,278	241,722	8,601
Compensated Absences	<u>202</u>	<u>1,485</u>	<u>1,096</u>	<u>591</u>	<u>155</u>
Governmental Activities Long-Term Liabilities	<u>\$ 260,202</u>	<u>\$ 1,485</u>	<u>\$ 19,374</u>	<u>\$ 242,313</u>	<u>\$ 8,756</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Pension Plans

Defined Benefit Plans

Plan Description

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

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

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. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Pension Plans

Defined Benefit Plans (Continued)

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 are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.60 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009. The City is required to contribute the following percentages of annual covered payroll:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10

The City's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>
2008	\$ 3,963	\$ 5,781
2007	9,677	-
2006	7,914	-

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

V. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

V. Summary of Significant Contingencies and Other Items (Continued)

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 157,419	\$ 157,419	\$ 134,323	\$ (23,096)
Special assessments	2,000	2,000	-	(2,000)
Licenses and permits	2,845	2,845	3,720	875
Intergovernmental	205,205	205,205	242,523	37,318
Charges for services	58,291	58,291	51,079	(7,212)
Fines and forfeitures	2,000	2,000	1,484	(516)
Gifts and contributions	4,000	4,000	11,059	7,059
Investment earnings	5,700	5,700	7,900	2,200
Miscellaneous	110	110	24,973	24,863
Total Revenues	\$ 437,570	\$ 437,570	\$ 477,061	\$ 39,491
Expenditures				
General government				
Mayor/council	\$ 8,500	\$ 8,500	\$ 9,254	\$ (754)
City clerk/treasurer	31,000	31,000	29,663	1,337
Professional services	4,200	4,200	4,400	(200)
Legal	1,500	1,500	1,249	251
Travel and schools	2,000	2,000	1,362	638
Assessor	2,800	2,800	2,784	16
Elections	4,150	4,150	2,890	1,260
Airport	155	155	3,581	(3,426)
Utilities	8,075	8,075	10,422	(2,347)
Real estate taxes	695	695	651	44
Insurance	13,600	13,600	13,122	478
Other general government	11,350	11,350	4,059	7,291
Total general government	\$ 88,025	\$ 88,025	\$ 83,437	\$ 4,588
Public safety				
Police	\$ 68,050	\$ 68,050	\$ 63,297	\$ 4,753
Fire	40,690	40,690	36,180	4,510
Fire relief association	-	-	11,456	(11,456)
Ambulance	5,350	5,350	5,370	(20)
Total public safety	\$ 114,090	\$ 114,090	\$ 116,303	\$ (2,213)
Highways and streets				
Streets and alleys	\$ 93,279	\$ 93,279	\$ 86,854	\$ 6,425
Street lighting	18,000	18,000	17,247	753
Total highways and streets	\$ 111,279	\$ 111,279	\$ 104,101	\$ 7,178

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Culture and recreation				
Ice rinks	\$ 1,400	\$ 1,400	\$ 1,171	\$ 229
Library	41,002	41,002	16,537	24,465
Parks	16,275	16,275	21,635	(5,360)
Recreational programs	1,800	1,800	1,800	-
Swimming pool	49,100	49,100	47,698	1,402
Other culture and recreation	1,050	1,050	1,636	(586)
Total culture and recreation	\$ 110,627	\$ 110,627	\$ 90,477	\$ 20,150
Conservation of natural resources				
Weed and pest control	\$ 8,000	\$ 8,000	\$ 53	\$ 7,947
Economic development				
Other economic development	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Debt service				
Principal retirement	\$ -	\$ -	\$ 15,468	\$ (15,468)
Interest	-	-	8,730	(8,730)
Total debt service	\$ -	\$ -	\$ 24,198	\$ (24,198)
Total Expenditures	\$ 442,021	\$ 442,021	\$ 418,569	\$ 23,452
Excess of Revenues Over (Under)				
Expenditures	\$ (4,451)	\$ (4,451)	\$ 58,492	\$ 62,943
Other Financing Sources (Uses)				
Transfers in	\$ 6,000	\$ 6,000	\$ 27,355	\$ 21,355
Transfers out	-	-	(8,000)	(8,000)
Total Other Financing Sources (Uses)	\$ 6,000	\$ 6,000	\$ 19,355	\$ 13,355
Net Change in Fund Balance	\$ 1,549	\$ 1,549	\$ 77,847	\$ 76,298
Fund Balance - January 1	198,870	198,870	198,870	-
Fund Balance - December 31	\$ 200,419	\$ 200,419	\$ 276,717	\$ 76,298

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 10,956	\$ 10,956	\$ 5,355	\$ (5,601)
Gifts and contributions	-	-	8,500	8,500
Investment earnings	-	-	4,336	4,336
Miscellaneous	-	-	13,442	13,442
Total Revenues	\$ 10,956	\$ 10,956	\$ 31,633	\$ 20,677
Expenditures				
Current				
Public safety				
Fire	-	-	27,258	(27,258)
Excess of Revenues Over (Under) Expenditures	\$ 10,956	\$ 10,956	\$ 4,375	\$ (6,581)
Other Financing Sources (Uses)				
Transfers in	-	-	8,000	8,000
Net Change in Fund Balance	\$ 10,956	\$ 10,956	\$ 12,375	\$ 1,419
Fund Balance - January 1	145,443	145,443	145,443	-
Fund Balance - December 31	\$ 156,399	\$ 156,399	\$ 157,818	\$ 1,419

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 5,409	\$ 5,409
Fund Balance - January 1	<u>5,169</u>	<u>5,169</u>	<u>5,169</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,169</u>	<u>\$ 5,169</u>	<u>\$ 10,578</u>	<u>\$ 5,409</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

I. Budgetary Information

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

In September of each year, the City Council drafts a preliminary budget. Public hearings are held at the county level. The final budget is approved in December and a certified levy is sent to Roseau County.

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

II. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2008:

	Expenditures	Budget	Excess
General Fund			
General government			
Mayor/council	\$ 9,254	\$ 8,500	\$ (754)
Professional services	4,400	4,200	(200)
Airport	3,581	155	(3,426)
Utilities	10,422	8,075	(2,347)
Public safety			
Fire relief association	11,456	-	(11,456)
Ambulance	5,370	5,350	(20)
Culture and recreation			
Parks	21,635	16,275	(5,360)
Other culture and recreation	1,636	1,050	(586)
Debt service			
Principal retirement	15,468	-	(15,468)
Interest	8,730	-	(8,730)
Fire Department Special Project/Equipment			
Special Revenue Fund			
Public safety			
Fire	27,258	-	(27,258)

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

The Small Cities Development Program Special Revenue Fund is used to account for remaining loans made for economic development housing rehabilitation originally funded by a small cities development program grant.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

	Economic Development Incubator	Economic Development Leased Property	Fire Department
<u>Assets</u>			
Cash and pooled deposits	\$ -	\$ 6,785	\$ 8,842
Fund deposits	-	-	58,221
Accounts receivable	6,192	-	-
Notes receivable	-	-	-
	-	-	-
Total Assets	\$ 6,192	\$ 6,785	\$ 67,063
<u>Liabilities and Fund Balances</u>			
Liabilities			
Cash overdraft	\$ 14,330	\$ -	\$ -
Accounts payable	202	-	-
Deferred revenue - unavailable	-	-	-
	-	-	-
Total Liabilities	\$ 14,532	\$ -	\$ -
Fund Balances			
Unreserved			
Undesignated	(8,340)	6,785	67,063
	(8,340)	6,785	67,063
Total Liabilities and Fund Balances	\$ 6,192	\$ 6,785	\$ 67,063

Statement 1

<u>General Special Projects</u>	<u>Legion Park</u>	<u>Small Cities Development Program</u>	<u>Total (Exhibit 3)</u>
\$ 5,994	\$ -	\$ 2,407	\$ 24,028
-	5,005	16,242	79,468
-	-	-	6,192
-	-	1,157	1,157
<u>\$ 5,994</u>	<u>\$ 5,005</u>	<u>\$ 19,806</u>	<u>\$ 110,845</u>
\$ -	\$ 73	\$ -	\$ 14,403
-	-	-	202
-	-	1,157	1,157
<u>\$ -</u>	<u>\$ 73</u>	<u>\$ 1,157</u>	<u>\$ 15,762</u>
5,994	4,932	18,649	95,083
<u>\$ 5,994</u>	<u>\$ 5,005</u>	<u>\$ 19,806</u>	<u>\$ 110,845</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Economic Development Incubator</u>	<u>Economic Development Leased Property</u>	<u>Fire Department</u>
Revenues			
Charges for services	\$ 200	\$ -	\$ -
Gifts and contributions	-	-	535
Investment earnings	-	-	2,266
Miscellaneous	12,362	2,506	-
Total Revenues	\$ 12,562	\$ 2,506	\$ 2,801
Expenditures			
Current			
Culture and recreation	\$ -	\$ -	\$ -
Economic development	12,808	-	-
Total Expenditures	\$ 12,808	\$ -	\$ -
Excess of Revenues Over (Under) Expenditures	\$ (246)	\$ 2,506	\$ 2,801
Other Financing Sources			
Transfers out	-	-	-
Net Change in Fund Balance	\$ (246)	\$ 2,506	\$ 2,801
Fund Balance - January 1	(8,094)	4,279	64,262
Fund Balance - December 31	\$ (8,340)	\$ 6,785	\$ 67,063

Statement 2

General Special Projects	Legion Park	Small Cities Development Program	Total (Exhibit 5)
\$ -	\$ 1,532	\$ -	\$ 1,732
30,000	1,710	-	32,245
-	206	677	3,149
-	19,111	-	33,979
\$ 30,000	\$ 22,559	\$ 677	\$ 71,105
\$ 9,922	\$ 22,807	\$ -	\$ 32,729
-	-	-	12,808
\$ 9,922	\$ 22,807	\$ -	\$ 45,537
\$ 20,078	\$ (248)	\$ 677	\$ 25,568
(20,000)	(7,355)	-	(27,355)
\$ 78	\$ (7,603)	\$ 677	\$ (1,787)
5,916	12,535	17,972	96,870
\$ 5,994	\$ 4,932	\$ 18,649	\$ 95,083

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT INCUBATOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 200	\$ 200
Miscellaneous	10,000	10,000	12,362	2,362
Total Revenues	\$ 10,000	\$ 10,000	\$ 12,562	\$ 2,562
Expenditures				
Current				
Economic development				
Incubator	15,425	15,425	12,808	2,617
Excess of Revenues Over (Under)				
Expenditures	\$ (5,425)	\$ (5,425)	\$ (246)	\$ 5,179
Fund Balance - January 1	(8,094)	(8,094)	(8,094)	-
Fund Balance - December 31	\$ (13,519)	\$ (13,519)	\$ (8,340)	\$ 5,179

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT LEASED PROPERTY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 2,100	\$ 2,100	\$ 2,506	\$ 406
Fund Balance - January 1	<u>4,279</u>	<u>4,279</u>	<u>4,279</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 6,379</u>	<u>\$ 6,379</u>	<u>\$ 6,785</u>	<u>\$ 406</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 4,200	\$ 4,200	\$ 535	\$ (3,665)
Investment earnings	-	-	2,266	2,266
Total Revenues	\$ 4,200	\$ 4,200	\$ 2,801	\$ (1,399)
Fund Balance - January 1	64,262	64,262	64,262	-
Fund Balance - December 31	\$ 68,462	\$ 68,462	\$ 67,063	\$ (1,399)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
GENERAL SPECIAL PROJECTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gifts and contributions	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Expenditures				
Current				
Culture and recreation				
Recreation programs	\$ -	\$ -	\$ 700	\$ (700)
Senior citizens	-	-	3,000	(3,000)
Other culture and recreation	-	-	6,222	(6,222)
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,922</u>	<u>\$ (9,922)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 20,078</u>	<u>\$ (9,922)</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(20,000)	(20,000)
Net Change in Fund Balance	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 78</u>	<u>\$ (29,922)</u>
Fund Balance - January 1	<u>5,916</u>	<u>5,916</u>	<u>5,916</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 35,916</u></u>	<u><u>\$ 35,916</u></u>	<u><u>\$ 5,994</u></u>	<u><u>\$ (29,922)</u></u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
LEGION PARK SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,200	\$ 1,200	\$ 1,532	\$ 332
Gifts and contributions	-	-	1,710	1,710
Miscellaneous	-	-	19,111	19,111
Interest on investments	-	-	206	206
Total Revenues	\$ 1,200	\$ 1,200	\$ 22,559	\$ 21,359
Expenditures				
Current				
Culture and recreation				
Legion Park	\$ 1,060	\$ 1,060	\$ 3,687	\$ (2,627)
Oakview Golf Course	-	-	19,120	(19,120)
Total Expenditures	\$ 1,060	\$ 1,060	\$ 22,807	\$ (21,747)
Excess of Revenues Over (Under) Expenditures	\$ 140	\$ 140	\$ (248)	\$ (388)
Other Financing Sources (Uses)				
Transfers out	-	-	(7,355)	(7,355)
Net Change in Fund Balance	\$ 140	\$ 140	\$ (7,603)	\$ (7,743)
Fund Balance - January 1	12,535	12,535	12,535	-
Fund Balance - December 31	\$ 12,675	\$ 12,675	\$ 4,932	\$ (7,743)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
SMALL CITIES DEVELOPMENT PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 677	\$ 677
Miscellaneous	150	150	-	(150)
Total Revenues	\$ 150	\$ 150	\$ 677	\$ 527
Expenditures				
Current				
Economic development				
Other economic development	100	100	-	100
Excess of Revenues Over (Under) Expenditures	\$ 50	\$ 50	\$ 677	\$ 627
Fund Balance - January 1	17,972	17,972	17,972	-
Fund Balance - December 31	\$ 18,022	\$ 18,022	\$ 18,649	\$ 627

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
STREET IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,000	\$ 7,000	\$ 5,124	\$ (1,876)
Special assessments	18,300	18,300	17,747	(553)
Investment earnings	-	-	2,137	2,137
Total Revenues	\$ 25,300	\$ 25,300	\$ 25,008	\$ (292)
Expenditures				
Debt service				
Principal retirement	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Interest	5,595	5,595	5,168	427
Total Expenditures	\$ 20,595	\$ 20,595	\$ 20,168	\$ 427
Excess of Revenues Over (Under) Expenditures	\$ 4,705	\$ 4,705	\$ 4,840	\$ 135
Fund Balance - January 1	32,443	32,443	32,443	-
Fund Balance - December 31	\$ 37,148	\$ 37,148	\$ 37,283	\$ 135

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 11

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Fire state aid	\$	11,456
Local government aid		200,687
Market value credit		24,361
PERA rate reimbursement		668
Police state aid		4,950
		<hr/>

Total Shared Revenue

\$ 242,122

Grants

State

Peace Officer Safety Training Board		401
		<hr/>

Total Intergovernmental Revenue

\$ 242,523

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 12

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2008

**I. 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.

Segregation of duties was previously a reportable condition which has now been redefined under *Statement of Auditing Standards 112* as a control deficiency. 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 misstatements on a timely basis.

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

City's Response:

The Council reviews check registers at monthly meetings and also approves bills to be paid. All checks require two signatures. A new policy was put into place requiring a council member to balance the check register at least every six months or on random basis. Random checks are to never exceed a 6 month time for this review.

07-1 Internal Controls

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

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

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

City's Response:

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

II. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-1 **Deficit Cash Balances**

At December 31, 2008, the Economic Development Incubator Special Revenue Fund had a cash balance deficit of \$14,330 and the Legion Park Special Revenue Fund had a cash balance deficit of \$73.

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

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



Colleen Hoffman, Manager
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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Greenbush

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota as of and for the year ended December 31, 2008, and have issued our report thereon dated March 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Greenbush's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses, items 04-1 and 07-1, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

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 Local Government*, 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 Local Government* contains seven applicable 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. The results of our tests indicate that for the items tested, the City of Greenbush complied with the material terms and conditions of applicable legal provisions except as noted in the accompanying Schedule of Findings and Responses as item 08-1.

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

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



Hoffman, Dale, & Swenson, PLLC

March 11, 2009