CITY OF GOODVIEW, MINNESOTA

COMPREHENSIVE ANNUAL FINANCAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Prepared by:
Finance Administration Department

Dan Matejka
Administrator

CITY OF GOODVIEW, MINNESOTA

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CITY OF GOODVIEW, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2006

THE CITY OF
GOODVIEW
Minnesota, USA

June 8, 2007

To the City Council and Citizens of the City of Goodview:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Goodview for the fiscal year ended December 31, 2006.

This report consists of management's representations concerning the finances of the City of Goodview. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Goodview has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Goodview's financial statements in conformity with GAAP. Because the cost of internal controls should outweigh their benefits, the City of Goodview's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Goodview's financial statements have been audited by Hawkins, Ash, & Baptie, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Goodview for the fiscal year ended December 31, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Goodview's financial statements for the fiscal year ended December 31, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Goodview's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Goodview was incorporated in 1946 and is located in the Mississippi River Valley between the Minnesota and Wisconsin picturesque bluff lands in southeastern Minnesota, adjacent to its' larger neighbor, Winona. The City currently covers 3.2 square miles and serves a population in excess of 3,300 (2000 Census).

The City is operated as a statutory city with a weak mayor-council form of government. Policy making and city legislative authority are vested with the City Council consisting of the mayor and four council members. The City is empowered to levy a property tax on both real and personal property. The City Council is responsible for adopting an annual budget and tax levy, adopting ordinances, appointing committees, hiring the City Administrator and City Attorney, among other tasks. Council members serve four year staggered terms with two council members elected every two years along with the mayor whose term is two years. Council members and the mayor are elected at large. The City Administrator is responsible for carrying out the policies of the City Council and the oversight of all services provided by the City for its residents and maintaining internal control.

The City of Goodview provides a full range of services, including police and fire protection; the construction and maintenance of streets, and other infrastructure; water and sewer services, recreational activities, and parks.

The annual budget serves as the foundation for the City of Goodview's financial planning and control. All departments and agencies of the City of Goodview submit requests for appropriation to the city administrator in July of each year. The city administrator uses these requests as the starting point for developing a proposed budget. After review, the City Administrator presents a preliminary budget to the City Council before August 31. After the City Council's review and additions or deletions, a preliminary property tax levy must be set prior to September 15th and certified to the County Auditor who sends out a hearing notice on the proposed levy. The hearing is held in December after which a final levy is adopted. The appropriated budget is prepared by fund, function (e.g. public safety) and department (e.g. police). Appropriations may be adjusted within the department or function with the approval of the City Administrator and City Council. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. For the general fund, this comparison schedule is presented as part of required supplementary information.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specified environment within which the City of Goodview operates.

Local Economy
The City currently enjoys a very good economic environment with indications of continued stability. Major industries located within the City include a design, testing and electronic component manufacturer, automotive engine rebuilding equipment manufacturer, composite raw material manufacturer, heat, light and power company, garment manufacturer, tire rethreading plant, formed wire parts designer and manufacturer, truck leasing and freight haulers, lighting designers and manufacturers, underground and building contractors, and building material manufacturers and distributors.

During 2006, the City experienced a significant decline in both housing and industrial expansion when compared to 2005. Building permits for 2006 totaled $2,522,297 down from $6,581,457 in 2005. Industrial/commercial improvements accounted for the largest decline with almost a $2 million, or 95% decrease. Permits for both new residential homes and residential improvements decreased over 50% in 2006. The City's total market value rose again by almost 7.4% over 2005, which is a slight decline from the previous seven-year average of 8.7%. Adjacent urban areas continue to experience moderate retail growth coupled with stability of existing opportunities thus providing a variety of available goods and services within easy access of all area residents.

Winona County unemployment rates stayed constant at 3.6% from 2005 to 2006, while both the State and National averages decreased by .1% and .5% respectively to 4.0% and 4.6%.

The City is largely developed within its current borders, however, a number of opportunities exist beyond its borders to annex both developed and undeveloped lands. Adjacent developed lands do not have municipal utilities and thus the need for them will occur as evidenced by recent years annexation of a number of lands. Typically undeveloped landowners request City water and sewer under a prerequisite that the land must be annexed to the City.

Long-Term Financial Planning
The City has formally approved a project to extend water and sewer services plus street improvements to the Woodhaven I Estates subdivision at an estimated cost of $1.5 million. This project will be financed through the issuance of special assessment bonds. The estimated completion of this project is set for mid-November 2007. The City also is completing an expansion project of the City's Government Center complex by purchasing, through a lease-purchase agreement, an adjacent building that will house the City's Police Department. Major street maintenance projects and replacement of various capital equipment items have been financed by general property taxes.

Cash Management Policies and Practices
The City uses the practice of investing temporarily idle cash in certificates of deposit.

Risk Management
The City carries commercial insurance for various risks related to torts; theft of, damage to or destruction of assets; errors and omissions; and natural disasters. General liability is carried on a claims-made basis and provides $500 per occurrence deductible with a $1,000,000 annual Minnesota Statutory Limit.

Awards & Acknowledgements
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the City of Goodview for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 24 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

In closing, without the leadership and support of the City Council of the City of Goodview, preparation of this report would not have been possible.

Sincerely,

Dan Matejka
City Administrator

CITY OF GOODVIEW, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2006

Hawkins, Ash, Baptie
& COMPANY, LLP
Certified Public Accountants | Business Advisors
Real Solutions. Real Service.

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Goodview, Minnesota

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Goodview, Minnesota, as of December 31, 2006, and for the year then ended, which collectively comprise the City's basic financial statements as identified in the Table of Contents. These financial statements are the responsibility of the City'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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Goodview, Minnesota, as of December 31, 2006, 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 May 11, 2007, on our consideration of the City of Goodview, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 budgetary comparison information as identified in the Table of Contents is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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.

The supplemental information identified "Goodview Fireman's Relief Association, Schedule of Funding Progress", introductory and statistical sections listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hawkins, Ash, Baptie & Company, LLP

La Crosse, Wisconsin
May 11, 2007

Management's Discussion and Analysis

As management of the City of Goodview, Minnesota, we offer readers of the City of Goodview, Minnesota's basic financial statements this narrative overview and analysis of the financial activities of the City of Goodview, Minnesota for the fiscal year ended December 31, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which follow this narrative.

Financial Highlights

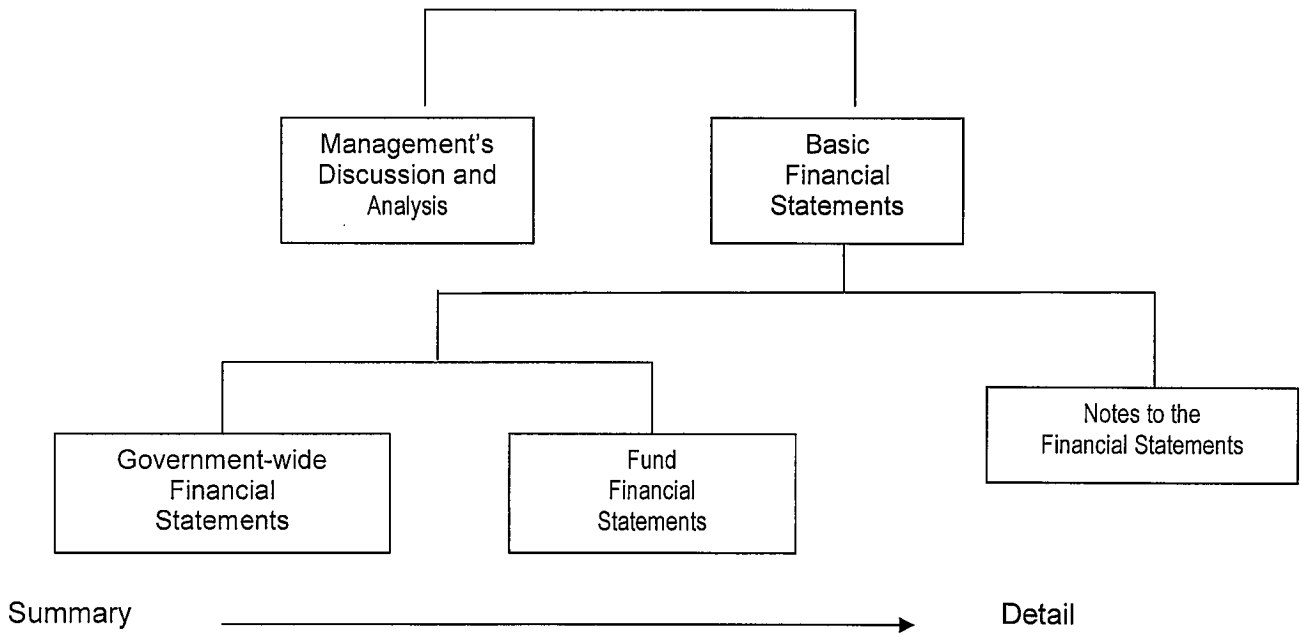
- The assets of the City of Goodview, Minnesota exceeded its liabilities at the close of the fiscal year by $13,193,398 *(net assets)*.
- The government's total net assets increased by $388,775, primarily due to a significant reduction in long-term liabilities and a prior period adjustment for unearned revenue.
- As of the close of the current fiscal year, the City of Goodview, Minnesota's governmental funds reported combined ending fund balances of $1,380,911, an increase of $129,418 in comparison with the prior year. The increase is primarily due to transferring the lease operating fund reserves to the General Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $116,384, or 9 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Goodview, Minnesota's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information on pensions.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided on pensions.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include water, sewer, and lease operations offered by the City of Goodview, Minnesota.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 Goodview, Minnesota, like all other governmental entities in Minnesota, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State of Minnesota Statutes or the City's budget ordinance. All of the funds of the City of Goodview, Minnesota can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds.

The City of Goodview, Minnesota adopts an annual budget for its general fund. The budget is a legally adopted document that incorporates input from citizens of the City, management of the City, and decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual revenue and expenditures.

Proprietary Funds - The City of Goodview, Minnesota has three enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and leasing activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, sewer utility, and lease operations all of which are considered to be major funds of the City of Goodview.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information on pensions. Required supplementary information can be found following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Goodview, Minnesota, assets exceeded liabilities by $13,193,398, at the close of the most recent fiscal year.

By far the largest portion of City of Goodview, Minnesota's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Goodview, Minnesota used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Goodview, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City of Goodview, Minnesota's Net Assets

Figure 1

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Current & other assets	$ 2,324,084	$ 2,143,261	$ 511,592	$ 559,831	$ 2,835,676	$ 2,703,092
Capital assets	6,126,967	5,925,779	6,548,890	6,621,148	12,675,857	12,546,927
Total assets	8,451,051	8,069,040	7,060,482	7,180,979	15,511,533	15,250,019
Long-term liabilities outstanding	1,772,363	1,830,255	-	17,442	1,772,363	1,830,255
Other liabilities	464,867	540,308	80,905	57,391	545,772	615,141
Total liabilities	2,237,230	2,370,563	80,905	74,833	2,318,135	2,445,396
Net assets:						
Invested in capital assets, net of related debt	4,297,699	3,806,554	6,548,890	6,621,148	10,846,589	10,427,702
Restricted	407,204	258,877	-	-	407,204	258,877
Unrestricted	1,508,918	1,633,046	430,687	484,998	1,939,605	2,118,044
Total net assets	**$ 6,213,821**	**$ 5,698,477**	**$ 6,979,577**	**$ 7,106,146**	**$ 13,193,398**	**$ 12,804,623**

An additional portion of the City of Goodview, Minnesota's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($1,939,605) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Goodview, Minnesota is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of $148,327 in restricted net assets reported in connection with the City of Goodview, Minnesota's governmental activities. The increase resulted from an increase in funds restricted to the repayment of debt.

The government's net assets increased by $358,477 during the current fiscal year largely due to increased governmental activities revenue over expenditures.

Governmental activities. Governmental activities increased the City of Goodview, Minnesota's net assets by $402,125 thereby accounting for 112 percent of the total growth in the net assets of the City of Goodview, Minnesota.

City of Goodview, Minnesota's Changes in Net Assets

Figure 2

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
REVENUE						
Program revenue						
Charges for services	$ 46,160	$ 46,296	$ 672,554	$ 582,786	$ 718,714	$ 629,082
Operating grants & contributions	337,720	105,271	-	-	337,720	105,271
Capital grants & contributions	305,003	254,082	-	-	305,003	254,082
General revenue:						
Taxes	1,037,495	857,577	-	-	1,037,495	857,577
Intergovernmental revenue	196,517	174,549	-	-	196,517	174,549
Interest and investment income	71,354	66,371	7,471	8,512	78,825	74,883
Miscellaneous	14,374	3,172	-	-	14,374	3,172
TOTAL REVENUE	2,008,623	1,507,318	680,025	591,298	2,688,648	2,098,616
EXPENSES						
General government	351,455	297,651	-	-	351,455	297,651
Public safety	561,843	507,089	-	-	561,843	507,089
Public works	362,931	345,696	-	-	362,931	345,696
Health and human services	1,193	1,981	-	-	1,193	1,981
Economic development	155,490	42,573	-	-	155,490	42,573
Parks, recreation	106,175	81,939	-	-	106,175	81,939
Interest on long-term debt	78,640	86,541	-	-	78,640	86,541
Water	-	-	310,309	276,761	310,309	276,761
Sewer	-	-	402,135	375,890	402,135	375,890
Lease operations	-	-	-	17,509	-	17,509
TOTAL EXPENSES	1,617,727	1,363,470	712,444	670,160	2,330,171	2,033,630
EXCESS OR (DEFICIENCY) BEFORE TRANSFERS	390,896	143,848	(32,419)	(78,862)	358,477	64,986
TRANSFERS	11,229	(68,135)	(11,229)	68,135	-	-
CHANGE IN NET ASSETS	402,125	75,713	(43,648)	(10,727)	358,477	64,986
NET ASSETS - BEGINNING	5,698,477	5,622,764	7,106,146	7,116,873	12,804,623	12,739,637
PRIOR PERIOD ADJUSTMENT	30,298	-	-	-	30,298	-
RESIDUAL EQUITY TRANSFER	82,921	-	(82,921)	-	-	-
NET ASSETS - ENDING	**$ 6,213,821**	**$ 5,698,477**	**$ 6,979,577**	**$ 7,106,146**	**$ 13,193,398**	**$ 12,804,623**

Figure 2 provides summarized operating results and their impact on net assts. Governmental activities before transfers remained nearly the same as the previous year. Transfers to business activities representing primarily investments in capital assets without any related debt meant the assets remained with the City but became part of business-type activities.

Governmental activities: Property taxes increased $179,918 (21 percent) during the year.

Grants and contributions increased $283,370 (79 percent) as a result of obtaining redevelopment grant funds form the State of Minnesota.

Expenses rose 19 percent in contrast to a 33 percent increase overall in revenue.

Business-type activities: Business-type activities net assets declined $43,648 as a result of the failure of revenue increase to keep pace with increases in expenses. Increase in charges for services are planned for the subsequent year to try to offset the ratios. The lease operating fund was closed during 2006, and the excess reserves were transferred to the General Fund.

Financial Analysis of the City's Funds

As noted earlier, the City of Goodview, Minnesota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Goodview, Minnesota's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the primary operating fund of the City of Goodview, Minnesota. At the end of the current fiscal year, unreserved fund balance of the General Fund was $116,384, while total fund balance was $337,057. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 9 percent of total General Fund expenditures, while total fund balance represents 26 percent of that same amount. The General Fund's fund balance increased $254,776 during 2006. The increase is partially attributable to Xcel Energy paying franchise taxes for the current and prior years.

At December 31, 2006, the Debt Service Fund of the City of Goodview, Minnesota reported a fund balance of $347,250 a decrease of $6,277 from last year. The Capital Projects Fund reported a fund balance of $696,604, a decrease of $119,081 from 2005. The decrease was due to major construction projects during 2006.

General Fund Budget. There were no changes to the general fund budget during the year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Information on enterprise fund net assets follows:

	Unrestricted Net Assets	Change in Net Assets
Water	$ 124,415	$ 20,152
Sewer	306,272	60,374
Lease operating	-	(124,174)

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Goodview, Minnesota's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets, net of related debt, for its governmental and business-type activities as of December 31, 2006, totals $10,486,589 (net of accumulated depreciation). These assets include land, improvements, buildings, machinery and equipment, and infrastructure.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Sewer and watermain extensions
- Further development of LaCanne Park

City of Goodview Minnesota's Capital Assets

Figure 3

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Land	$ 676,946	$ 668,746	$ 62,689	$ 70,889	$ 739,635	$ 739,635
Construction work-in-progress	136,936	-	29,421	-	166,357	-
Buildings	1,063,637	869,227	807,996	1,002,406	1,871,633	1,871,633
Improvements	937,743	937,743	-	-	937,743	937,743
Machinery and equipment	1,281,664	1,229,569	316,165	331,375	1,597,829	1,560,944
Infrastructure	5,001,959	4,834,963	7,097,293	6,984,348	12,099,252	11,819,311
Less: Accumulated depreciation	(2,971,918)	(2,614,469)	(1,764,674)	(1,767,870)	(4,736,592)	(4,382,339)
TOTAL	$ 6,162,967	$ 5,925,779	$ 6,548,890	$ 6,621,148	$ 12,675,857	$ 12,546,927

Additional information on the City's capital assets can be found in the Note 2C to the Comprehensive Annual Financial Statements on pages 40-41.

Long-Term Obligations. As of December 31, 2006, the City of Goodview, Minnesota had total long-term obligations outstanding of $2,074,441. Of this, $1,795,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents capital leases and compensated absences.

City of Goodview, Minnesota's Outstanding Long-Term Obligations

Figure 4

	GOVERNMENTAL ACTIVITIES	
	2006	2005
Special Assessment Bonds	$ 1,740,000	$ 1,955,000
Tax Increment Bonds	55,000	105,000
Other long-term obligations	279,441	119,039
TOTAL	$ 2,074,441	$ 2,179,039

The City's total debt decreased by $104,598 (4.8%) during the past fiscal year.

The State of Minnesota statutes limit the amount of general obligation debt that a unit of government can issue to 2 percent of the total market value of taxable property located within that government's boundaries. The legal debt limit for City of Goodview, Minnesota is $4,117,406.

Additional information regarding the City of Goodview, Minnesota's long-term debt can be found in the Note 2F to the financial statements on pages 43-45.

Economic Factors and Next Year's Budgets and Rates

The 2007 General Fund budget was $1,427,413 for expenditures 24.9 percent greater than 2006. Property tax levies for 2007 were $1,227,817, up 23.4 percent from 2006. Property tax rates increased 12.94 percent from 40.34 to 45.56 percent from 2006 to 2007.

During 2006, construction of new building projects totaled $2,522,297 compared with a total of $6,581,457 for 2005, a decrease of 61.68 percent.

These factors were considered when the City prepared its 2007 budget.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Goodview, Minnesota, 4140 5th Street, Goodview, Minnesota 55987.

CITY OF GOODVIEW, MINNESOTA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2006

CITY OF GOODVIEW, MINNESOTA

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DECEMBER 31, 2006

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 1,291,778	$ 404,086	$ 1,695,864
Receivables			
Accounts	54,357	84,522	138,879
Taxes	6,804	-	6,804
Special assessments	887,985	-	887,985
Park pledges	22,159	-	22,159
Internal balances	(14,823)	14,823	-
Due from other governments	59,177	-	59,177
Inventories	-	1,713	1,713
Prepaid items	16,647	6,448	23,095
Capital assets, net of accumulated depreciation			
Land and construction in progress	813,882	92,110	905,992
Buildings	683,060	469,897	1,152,957
Improvements other than buildings	797,524	-	797,524
Machinery and equipment	620,768	183,936	804,704
Infrastructure	3,211,733	5,802,947	9,014,680
TOTAL ASSETS	**$ 8,451,051**	**$ 7,060,482**	**$ 15,511,533**

(Continued on page 21)

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF NET ASSETS - Continued
DECEMBER 31, 2006

LIABILITIES AND NET ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable	$ 45,556	$ 49,031	$ 94,587
Customer deposits	-	9,456	9,456
Accrued interest	33,072	-	33,072
Due to other governments	333	-	333
Unearned revenue	106,246	-	106,246
Compensated absences	57,755	22,418	80,173
Capital leases payable			
Due within one year	31,905	-	31,905
Due in more than one year	167,363	-	167,363
Bonds payable			
Due within one year	190,000	-	190,000
Due in more than one year	1,605,000	-	1,605,000
TOTAL LIABILITIES	2,237,230	80,905	2,318,135
NET ASSETS			
Invested in capital assets, net of related debt	4,297,699	6,548,890	10,846,589
Restricted for			
Debt service	347,250	-	347,250
Unspent capital lease proceeds	37,795	-	37,795
Park capital campaign	22,159	-	22,159
Unrestricted	1,508,918	430,687	1,939,605
TOTAL NET ASSETS	6,213,821	6,979,577	13,193,398
TOTAL LIABILITIES AND NET ASSETS	**$ 8,451,051**	**$ 7,060,482**	**$ 15,511,533**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE: CHARGES FOR SERVICES	PROGRAM REVENUE: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUE: CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES				
General government	$ 351,455	$ 10,152	$ -	$ -
Public safety	561,843	20,915	56,261	129,472
Public works	362,931	6,043	-	-
Health and human services	1,193	-	-	-
Economic development	155,490	-	279,309	-
Culture, recreation, and education	106,175	9,050	2,150	175,531
Interest and fiscal charges	78,640	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	**1,617,727**	**46,160**	**337,720**	**305,003**
BUSINESS-TYPE ACTIVITIES				
Water	310,309	267,740	-	-
Sewer	402,135	404,814	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	**712,444**	**672,554**	**-**	**-**
TOTAL	**$ 2,330,171**	**$ 718,714**	**$ 337,720**	**$ 305,003**

GENERAL REVENUE
- Taxes
  - Property taxes
  - Franchise taxes
- Intergovernmental revenue not restricted to specific programs
- Interest and investment income
- Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUE AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

PRIOR PERIOD ADJUSTMENT

RESIDUAL EQUITY TRANSFER

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
$ (341,303)		$ (341,303)
(355,195)		(355,195)
(356,888)		(356,888)
(1,193)		(1,193)
123,819		123,819
80,556		80,556
(78,640)		(78,640)
(928,844)		**(928,844)**
	$ (42,569)	(42,569)
	2,679	2,679
	(39,890)	**(39,890)**
(928,844)	**(39,890)**	**(968,734)**
940,540	-	940,540
96,955	-	96,955
196,517	-	196,517
71,354	7,471	78,825
14,374	-	14,374
11,229	(11,229)	-
1,330,969	(3,758)	1,327,211
402,125	(43,648)	358,477
5,698,477	7,106,146	12,804,623
30,298	-	30,298
82,921	(82,921)	-
$ 6,213,821	**$ 6,979,577**	**$ 13,193,398**

CITY OF GOODVIEW, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2006

CITY OF GOODVIEW, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

ASSETS	GENERAL FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	$ 318,336	$ 333,003	$ 640,439	$ 1,291,778
Receivables				
Accounts	45,677	-	8,680	54,357
Taxes	5,417	1,387	-	6,804
Special assessments	-	590,827	297,158	887,985
Park pledges	-	-	22,159	22,159
Due from other governments	-	-	59,177	59,177
Prepaid items	16,647	-	-	16,647
TOTAL ASSETS	**$ 386,077**	**$ 925,217**	**$ 1,027,613**	**$ 2,338,907**
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 33,864	$ -	$ 11,692	$ 45,556
Due to other governments	333	-	-	333
Due to other funds	14,823	-	-	14,823
Unearned revenue	-	577,967	319,317	897,284
TOTAL LIABILITIES	49,020	577,967	331,009	957,996
FUND BALANCES				
Reserved for:				
Debt service	-	347,250	-	347,250
Prepaids	16,647	-	-	16,647
Unspent capital lease proceeds	37,795	-	-	37,795
Equipment - fire	158,370	-	-	158,370
Equipment - police	7,861	-	-	7,861
Unreserved	116,384	-	696,604	812,988
TOTAL FUND BALANCES	337,057	347,250	696,604	1,380,911
TOTAL LIABILITIES AND FUND BALANCES	**$ 386,077**	**$ 925,217**	**$ 1,027,613**	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	6,126,967
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the govermental funds	791,038
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(1,795,000)
Capital leases payable	(199,268)
Accrued interest	(33,072)
Compensated absences	(57,755)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	**$ 6,213,821**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Taxes				
Property	$ 718,289	$ 222,251	$ -	$ 940,540
Francise	96,955	-	-	96,955
Licenses and permits	15,569	-	-	15,569
Intergovernmental	240,416	-	279,309	519,725
Charges for services	10,227	-	-	10,227
Fines and forfeitures	20,364	-	-	20,364
Special assessments	-	81,840	46,079	127,919
Interest	6,721	35,982	28,651	71,354
Donations	143,834	-	5,366	149,200
Miscellaneous	12,449	-	2,075	14,524
TOTAL REVENUE	1,264,824	340,073	361,480	1,966,377
EXPENDITURES				
Current				
General government	335,003	91	346	335,440
Public safety	530,246	-	-	530,246
Public works	220,563	-	22,240	242,803
Health and human services	1,193	-	-	1,193
Economic development	-	-	155,490	155,490
Culture and recreation	32,896	-	22,045	54,941
Capital outlay	179,321	-	280,440	459,761
Debt service				
Principal	-	265,000	-	265,000
Interest	-	81,259	-	81,259
TOTAL EXPENDITURES	1,299,222	346,350	480,561	2,126,133
EXCESS OF REVENUE (UNDER) EXPENDITURES	(34,398)	(6,277)	(119,081)	(159,756)
OTHER FINANCING SOURCES				
Proceeds from capital leases	165,000	-	-	165,000
Transfers in	124,174	-	-	124,174
TOTAL OTHER FINANCING SOURCES	289,174	-	-	289,174
NET CHANGE IN FUND BALANCES	254,776	(6,277)	(119,081)	129,418
FUND BALANCES AT BEGINNING OF YEAR	203,436	232,372	815,685	1,251,493
RESIDUAL EQUITY TRANSFER	(121,155)	121,155	-	-
FUND BALANCES AT END OF YEAR	**$ 337,057**	**$ 347,250**	**$ 696,604**	**$ 1,380,911**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2006

Net change in fund balances - Total Governmental Funds		$ 129,418
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 459,761	
Depreciation expense	(226,899)	232,862
The net effect of various miscellaneous transactions including capital assets (i.e., noncapitalized outlay and contributions) is to decrease net assets.		(112,945)
Some capital assets acquired during the year were financed with long-term debt. The amount of the long-term debt is reported in the governmental funds as a source of financing. In the statement of net assets, however, long-term debt is not reported as a financing source, but rather constitute a long-term liability. The amount of long-term debt issued in governmental fund statements is:		(165,000)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds.		
Special assessments	$ 46,591	
Pledges	(4,345)	42,246
In governmental funds, the entire proceeds, if any, from the disposal of capital assets are reported as miscellaneous income. In the statement of activities, only the gain (or loss) on the disposal is reported. The difference between the two is the original cost of the asset.		
Proceeds from the disposition of capital assets as reported on governmental funds operating statement	$ -	
(Loss) on disposition reported on the statement of activities	(1,650)	
Cost of assets disposed of		(1,650)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Lease principal payments	$ 24,957	
Principal payments	265,000	289,957
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest	$ 2,619	
Change in compensated absences	(15,382)	(12,763)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		**$ 402,125**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

ASSETS	WATER FUND	SEWER FUND	TOTAL
CURRENT ASSETS			
Cash	$ 100,173	$ 303,913	$ 404,086
Receivables			
Accounts	16,966	21,954	38,920
Unbilled	18,199	27,403	45,602
Due from other funds	10,252	4,571	14,823
Inventories	1,713	-	1,713
Prepaid items	3,415	3,033	6,448
TOTAL CURRENT ASSETS	150,718	360,874	511,592
NONCURRENT ASSETS			
CAPITAL ASSETS			
Land	79,955	12,155	92,110
Buildings, plants, and stations	646,393	161,603	807,996
Storage, distribution, and collection system	3,747,002	3,350,291	7,097,293
Machinery and equipment	171,250	144,915	316,165
TOTAL CAPITAL ASSETS	4,644,600	3,668,964	8,313,564
Less accumulated depreciation	999,558	765,116	1,764,674
NET CAPITAL ASSETS	3,645,042	2,903,848	6,548,890
TOTAL ASSETS	**$ 3,795,760**	**$ 3,264,722**	**$ 7,060,482**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 5,638	$ 43,393	$ 49,031
Customer deposits	9,456	-	9,456
Compensated absences	11,209	11,209	22,418
TOTAL CURRENT LIABILITIES	26,303	54,602	80,905
NET ASSETS			
Invested in capital assets	3,645,042	2,903,848	6,548,890
Unrestricted	124,415	306,272	430,687
TOTAL NET ASSETS	3,769,457	3,210,120	6,979,577
TOTAL LIABILITIES AND NET ASSETS	**$ 3,795,760**	**$ 3,264,722**	**$ 7,060,482**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	WATER FUND	SEWER FUND	LEASE OPERATING FUND	TOTALS
OPERATING REVENUE				
Sales	$ 204,617	$ 401,432	$ -	$ 606,049
Charges for services	54,721	3,382	-	58,103
Miscellaneous	8,402	-	-	8,402
TOTAL OPERATING REVENUE	267,740	404,814	-	672,554
OPERATING EXPENSES				
Cost of sales and services	195,168	333,917	-	529,085
Administration	39,660	11,996	-	51,656
Depreciation	75,481	56,222	-	131,703
TOTAL OPERATING EXPENSES	310,309	402,135	-	712,444
OPERATING (LOSS) INCOME	(42,569)	2,679	-	(39,890)
NONOPERATING REVENUE				
Interest income	3,571	3,900	-	7,471
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(38,998)	6,579	-	(32,419)
CAPITAL CONTRIBUTIONS	59,150	53,795	-	112,945
TRANSFERS (OUT)	-	-	(124,174)	(124,174)
CHANGE IN NET ASSETS	20,152	60,374	(124,174)	(43,648)
NET ASSETS AT BEGINNING OF YEAR	3,749,305	3,149,746	207,095	7,106,146
RESIDUAL EQUITY TRANSFER	-	-	(82,921)	(82,921)
NET ASSETS AT END OF YEAR	**$ 3,769,457**	**$ 3,210,120**	**$ -**	**$ 6,979,577**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	WATER UTILITY	SEWER UTILITY	LEASE OPERATING FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 257,087	$ 411,477	$ 1,500	$ 670,064
Receipts for (payments from) interfund services	(10,252)	6,370	(378)	(4,260)
Payments to suppliers for goods and services	(140,205)	(251,380)	-	(391,585)
Payments to employees for services	(91,886)	(93,646)	-	(185,532)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,744	72,821	1,122	88,687
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(124,174)	(124,174)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(29,422)	-	-	(29,422)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	3,571	3,900	-	7,471
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,107)	76,721	(123,052)	(57,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	111,280	227,192	123,052	461,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 100,173**	**$ 303,913**	**$ -**	**$ 404,086**
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating (loss) income	$ (42,569)	$ 2,679	$ -	$ (39,890)
Adjustments to reconcile operating (loss) income to net cash flows from operating activities				
Depreciation	75,481	56,222	-	131,703
Changes in assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	(10,653)	6,663	3,500	(490)
Due from other funds	(10,252)	6,452	-	(3,800)
Inventories	586	-	-	586
Prepaid items	(2,665)	(2,370)	-	(5,035)

(Continued on page 30)

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	WATER UTILITY	SEWER UTILITY	LEASE OPERATING FUND	TOTALS
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES - Continued				
Increase (decrease) in liabilities				
Accounts payable	$ 390	$ 769	$ -	$ 1,159
Customer deposits	-	-	(2,000)	(2,000)
Other accrued expenses	1,938	-	-	1,938
Due to other funds	-	(82)	(378)	(460)
Compensated absences	2,488	2,488	-	4,976
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 14,744**	**$ 72,821**	**$ 1,122**	**$ 88,687**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital contributions from municipality	**$ 59,150**	**$ 53,795**	**$ -**	**$ 112,945**

The accompanying notes are an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Goodview, Minnesota conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The City of Goodview is a municipal corporation and operates under a plan A form of government. The four-member Council and Mayor are elected on rotating terms in each even-numbered year.

Component units are legally separate entities, which are fiscally dependent on the primary government or for which the primary government is financially accountable. As of December 31, 2006, there were no entities that met the requirements to be considered a component unit of the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report the overall financial activity of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, service, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. With the economic resources measurement focus, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

NOTE 1 - Summary of Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 Debt Service Fund accounts for resources accumulated and payments for principal and interest on long term general obligation tax increment debt and general obligation special assessment debt.

The Revolving Capital Projects Fund accounts for revenue and expenditures related to the acquisition or construction of general fixed assets and other improvements.

The City reports the following major proprietary funds:

The Water Fund accounts for activities related to the operation of a water distribution system.

The Sewer Fund accounts for activities related to the operation of a sanitary collection system.

The Lease Operating Fund accounts for activities related to the lease of City buildings to others.

NOTE 1 - Summary of Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector-guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported from the various functions concerned.

Amounts reported as program revenue includes 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

1. Deposits and Investments - Continued

State statutes authorize investments in the following: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 which receive the highest credit rating are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; municipal general obligations rated "A" or better; municipal revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers; acceptances of the United States' banks eligible for purchase of by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories, repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualifies as a "depository" by the City entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Investments for the City are reported at fair value.

2. Receivables and Payables

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 to/from other funds" (i.e., the non-current portion of interfund loans).

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade (utility) and property tax receivables are shown at a gross amount, since both taxes and trade (utility) receivables are assessable to the property taxes and are collectible upon sale of the assessed property.

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

2. Receivables and Payables - Continued

Property taxes are submitted to the County Auditor by December 28 of each year to be levied on January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

Inventory of the water operation is valued at actual original cost.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items in the Enterprise Funds. For governmental funds, if such amount represents a charge for the subsequent period, then a prepaid account is maintained.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The City does not capitalize interest on general fixed projects. No enterprise fund fixed asset projects required interest to be capitalized.

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

5. Capital Assets - Continued

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15 - 50
Improvements	15 - 30
Machinery, equipment, and vehicles	3 - 20
Collection and distribution systems	30 - 75
Streets and public infrastructure	30 - 75

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time up to 40 hours of vacation and 120 hours of compensatory time. The City also provides a post-retirement benefit for employees whose age plus years of service total 75 or more. An estimate for liability for unpaid vacation and compensatory time benefits is prepared and accrued when incurred in government-wide and proprietary fund statements. A liability for post-retirement benefits is prepared and accrued when they have matured and is then reported in the government-wide and proprietary fund financial statements. A liability for vacation and compensatory time benefits is reported in government funds only if they have matured, for example, as a result of resignation or retirement.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

8. Fund Equity

In the fund financial statements, governmental funds may report reservations of fund balances 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 Council plans that are subject to change.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Detailed Notes on all Funds

A. Deposits and Investments

All deposits of funds are pooled in three financial institutions. Each fund's share of the deposits is stated simply as "Cash" throughout this report. The pools are managed and under direct control of the City. At year-end, the carrying amount of the City's deposits was $1,696,051 and the bank balances totaled $1,750,063. State statutes require depositories of municipal funds, in lieu of a corporate or personal surety bond, to provide security collateral in the amount of at least 10 percent more than any deposit in excess of any insured portion.

	Merchants National Bank	Wells Fargo Bank	Winona National Bank
Deposits - Cash	$ 403,665	$ 906,762	$ 439,635
Less: Federal Deposit Insurance	(200,000)	(100,000)	(100,000)
Deposits in excess of insured amounts	**$ 203,665**	**$ 806,762**	**$ 339,635**
Security collateral required	$ 224,032	$ 887,438	$ 373,599
Security collateral provided Federal/Gov. National Mort. Assoc. and general/revenue obligations of local governments-market value	629,169	1,181,226	512,725
Excess of security collateral	**$ 405,137**	**$ 293,787**	**$ 139,126**

NOTE 2 - Detailed Notes on all Funds - Continued

A. Deposits and Investments - Continued

Bank balances of deposits including cash, money market accounts, and certificates of deposits as of December 31, 2006 are insured or collateralized with securities held by an agent of the City in the City's name. State statute authorizes the City to invest its idle cash in interest bearing accounts, certificates of deposit, repurchase agreements, governmental bonds, notes, bills, mortgages, or other direct obligations or insured issues of the United States or its agencies or in shares of an investment company duly registered and whose investments are in securities of the type described herein.

Deposits made during 2006 included certificates of deposit and deposits in interest bearing money market accounts. Deposits as of December 31, 2006 are as follows:

	Deposit Amount	Carrying Amount
Winona National Bank		
Checking accounts	$ -	$ -
Money market accounts	439,635	439,635
Certificates of deposit	-	-
Wells Fargo Bank		
Checking accounts	210,365	155,833
Money market accounts	596,397	596,397
Certificates of deposit	100,000	100,000
Merchants Bank		
Checking accounts	242,171	242,591
Money market accounts	161,494	161,494
Certificates of deposit	-	-
Total deposits	1,750,062	1,695,950
Petty cash and change funds	-	100
Total cash and change fund	**$ 1,750,062**	**$ 1,696,050**

Fair (Market) Value of Investments - Investments are reported at fair value. At December 31, 2006, the fair value of the City's investments approximated original cost, therefore, no fair value adjustments were necessary.

Determining Fair Value - Investments with stated interest rates (savings accounts, CD's, repos) are stated at cost.

Income Allocation - Investment income is allocated to the fund that owns the investment.

NOTE 2 - Detailed Notes on all Funds - Continued

A. Deposits and Investments - Continued

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than seven years of the date acquired. The City has a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2006, $400,000 of the City's bank balance of $1,750,063 is covered by FDIC coverage, and the remaining $1,350,063 was collateralized. None of the City's deposits were exposed to custodial credit risk.

B. Receivables

Receivables at December 31, 2006 for the City's individual major funds consist of the following:

	General	Debt Service	Capital Projects	Enterprise	Total
Receivables:					
Accounts	$ 45,677	$ -	$ 8,680	$ 84,522	$ 138,879
Taxes	5,417	1,387	-	-	6,804
Special assessments	-	590,827	297,158	-	887,985
Park pledges	-	-	22,159	-	22,159
Total receivables	$ 51,094	$ 592,214	$ 327,997	$ 84,522	$ 1,055,827

Governmental funds report unearned revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue in the governmental funds were as follows:

	Unavailable
Special assessments	$ 875,125
Park pledges	22,159
Total unearned revenue for governmental funds	$ 897,284

NOTE 2 - Detailed Notes on all Funds - Continued

C. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	TRANSFERS	ENDING BALANCE
GOVERNMENT ACTIVITIES					
Capital assets not being depreciated					
Land	$ 668,746	$ -	$ -	$ 8,200	$ 676,946
Construction work-in-progress	-	136,936	-	-	136,936
Total capital assets not being depreciated	668,746	136,936	-	8,200	813,882
Capital assets being depreciated					
Buildings	869,227	-	-	194,410	1,063,637
Improvements	937,743	-	-	-	937,743
Machinery and equipment	1,229,569	42,884	5,999	15,210	1,281,664
Infrastructure	4,834,963	166,996	-	-	5,001,959
Total capital assets being depreciated	7,871,502	209,880	5,999	209,620	8,285,003
Less accumulated depreciation for:					
Buildings	237,459	23,429	-	119,689	380,577
Improvements	106,663	33,555	-	-	140,219
Machinery and equipment	577,909	72,127	4,349	15,210	660,896
Infrastructure	1,692,438	97,788	-	-	1,790,226
Total accumulated depreciation	2,614,469	226,899	4,349	134,899	2,971,918
Total capital assets being depreciated, net	5,257,033	(17,019)	1,650	74,721	5,313,085
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	**$ 5,925,779**	**$ 119,917**	**$ 1,650**	**$ 82,921**	**$ 6,162,967**
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land	$ 70,889	$ -	$ -	$ (8,200)	$ 62,689
Construction work-in-progress	-	29,421	-	-	29,421
Total capital assets not being depreciated	70,889	29,421	-	(8,200)	92,110
Capital assets being depreciated					
Buildings	1,002,406	-	-	(194,410)	807,996
Machinery and equipment	331,375	-	-	(15,210)	316,165
Infrastructure	6,984,348	112,945	-	-	7,097,293
Total capital assets being depreciated	8,318,129	112,945	-	(209,620)	8,221,454

NOTE 2 - Detailed Notes on all Funds - Continued

C. Capital Assets - Continued

	BEGINNING BALANCE	INCREASES	DECREASES	TRANSFERS	ENDING BALANCE
BUSINESS-TYPE ACTIVITIES - Continued:					
Less accumulated depreciation for:					
Buildings	$ 442,461	$ 15,327	$ -	$ (119,689)	$ 338,099
Machinery and equipment	127,485	19,954	-	(15,210)	132,229
Infrastructure	1,197,924	96,422	-	-	1,294,346
Total accumulated depreciation	1,767,870	131,703	-	(134,899)	1,764,674
Total capital assets being depreciated, net	6,550,259	(18,758)	-	(74,721)	6,456,780
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	**$ 6,621,148**	**$ 10,663**	**$ -**	**$ (82,921)**	**$ 6,548,890**

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

GOVERNMENTAL ACTIVITIES	
General government	$ 14,540
Public safety	46,149
Public works	114,976
Culture and recreation	51,234
TOTAL DEPRECIATION EXPENSE-GOVERNMENTAL ACTIVITIES	**$ 226,899**
BUSINESS-TYPE ACTIVITIES	
Sewer	$ 56,222
Water	75,481
TOTAL DEPRECIATION EXPENSE-BUSINESS-TYPE ACTIVITIES	**$ 131,703**

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

Due to/from other funds:

Receivable fund	Payable Fund	Amount
Water	General	$ 10,252
Sewer	General	4,571
Total		**$ 14,823**

In the financial statements, due to/from other funds are used to cover temporary cash deficits.

NOTE 2 - Detailed Notes on all Funds - Continued

D. Interfund Receivables, Payables, and Transfers - Continued

Individual fund operating transfers during 2006 are as follows:

Receivable fund	Payable Fund	Amount
General	Lease operating	**$ 124,174**

The operating transfer was used to move the remaining cash balance in the operating lease account to the general fund. The lease operating fund was closed during 2006.

E. Capital Leases

The City entered into a lease purchase agreement in 1997 to acquire a fire engine. The City entered into two leases for police vehicles in 2005. The lease agreements qualify as capital leases (title transfers at the end of the lease terms) and have been recorded at the present value of the future minimum lease payment as of the date of the inception. The equipment was recorded as a capital asset while the liability created is recorded as a long-term obligation in the statement of net assets. Annual payments of the lease amount are made from unrestricted revenue of the General Fund. The City is committed to the payment of the lease amount on an annual basis only. Each item financed by a lease purchase is secured only by itself, the City's full faith and credit authority is not pledged.

The lease purchase agreement at December 31, 2006 consisted of the following:

Lease Purchase Agreement	Dated	Original Cost Capital Assets	Interest Rate	Amount Outstanding
Fire Engine	08-21-97	$ 146,558	5.33%	$ 6,945
Police Vehicle	05-01-05	20,508	4.18	11,909
Police Vehicle	03-31-05	27,508	4.11	15,414
Police Building	09-11-06	165,000	5.35	165,000
				$ 199,268

The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at December 31, 2006:

Year	Payment
2007	$ 41,608
2008	34,526
2009	24,147
2010	21,520
2011	21,520
2012-2016	107,600
Total minimum lease payments	250,921
Less: amounts representing interest	(51,653)
Present value of future minimum lease payments	**$ 199,268**

NOTE 2 - Detailed Notes on all Funds - Continued

F. Long-Term Debt

General Obligation Bonds. The City issued $300,000 of General Obligation Taxable Tax Increment Bonds in 1988 to leverage the expansion of two industrial firms and an additional $445,000 in bonds of the same type in 1990 to leverage the expansion of an additional two industrial firms in the City. In 1994, $475,000 of General Obligation Taxable Tax Increment Bonds was issued to leverage an expansion of one of two industries established in 1988. Again in 1996, $375,000 of General Obligation Tax Increment Bonds was issued to leverage the expansion of industry. All additional property taxes of all taxing jurisdictions generated by the expansions are pledged toward the repayment of debt until defeased, then returning to each appropriate jurisdiction. The full faith and credit of the City is pledged toward repayment of the bonds. During 2006, $50,000 in bonds was paid for the 1996 issue.

With respect to tax increment district, the State of Minnesota, pursuant of M.S. Chapter 469.175 requires the following note disclosures for each tax increment district in the City and in addition requires that a Schedule of Sources and Uses of Public Funds also is included in the CAFR. That schedule may be found on page 66 in the Statistical section of this report.

Economic Development Tax Increment District No. 1-7 - An Economic Development District established pursuant to Minnesota Statutes having a duration beginning in 1997 and ending in 2007.

Original Net Tax Capacity:	$ 1,480
Current Net Tax Capacity:	31,038
Captured Net Tax Capacity:	
Regained by Authority:	32,518
Shared with other taxing districts	1,480
Total bonds issued (G.O. Taxable Tax Increment)	$ 375,000
Total loans incurred	-
Amounts redeemed	(320,000)
Outstanding bonds and loans at 12/31/06	$ 55,000

Annual debt service requirements to maturity for the general obligation tax increment bonds, including interest of $1,815 is as follows:

	Amount Required	
Fiscal Year Ending December 31,	Principal	Interest
2007	**$ 55,000**	**$ 1,815**

NOTE 2 - Detailed Notes on all Funds - Continued

F. Long-Term Debt - Continued

Special Assessment Debt. The City is obligated on all special assessment debt, since each issue carries the backing of the City's full faith and credit taxing authority. The City is obligated for all or any portion of debt for which the collection of special assessments and interest thereon is insufficient to meet all principal and interest requirements to maturity. Such amounts were determined by the City Council to be public benefit portions of the projects so financed. Such amounts are included in the special assessment bonds payable with government commitment reported as long-term obligations in the statement of net assets. Of the total amount outstanding special assessment debt, $748,200 is considered debt of the City and $991,800 is the special assessment portion.

Special assessment bond debt service requirements to maturity, including the $465,272 interest are as follows:

Fiscal Year Ending December 31,	Principal	Interest
2007	$ 135,000	$ 70,873
2008	135,000	66,048
2009	140,000	60,820
2010	140,000	55,290
2011	145,000	49,518
2012 - 2016	770,000	151,255
2017 - 2019	275,000	11,468
TOTAL	**$ 1,740,000**	**$ 465,272**

Individual bond issues which comprise long-term debt's special assessment bonds with government commitment and general obligation tax increment bonds payable include the following:

Special Assessment Imp. Bonds	Interest Rate	Issue Date	Final Maturity Date	Tax Levy Support by Percent	Authorized and Issued	Retired	Out-standing	Principal Due in 2007	Interest Due in 2007
2003 Ref. Imp. Bonds	2.00%-2.25%	11-3-03	2-1-06	39%	$ 275,000	$ 275,000	$ -	$ -	$ -
2001 Imp. Bonds	2.75%-4.65%	10-5-01	2-1-18	48%	2,060,000	320,000	1,740,000	135,000	70,873
Total Special Assessment					2,335,000	595,000	1,740,000	135,000	70,873
Tax Increment Bonds	6.05%-6.60%	12-16-96	2-1-07	100%	375,000	320,000	55,000	55,000	1,815
Total Special Assessment and Tax Increment Bonds					**$2,710,000**	**$ 915,000**	**$1,795,000**	**$ 190,000**	**$ 72,688**

NOTE 2 - Detailed Notes on all Funds - Continued

F. Long-Term Debt - Continued

The individual issue which makes up the long-term capital leases payable includes the following:

Special Assessment Imp. Bonds	Interest Rate	Issue Date	Final Maturity Date	Tax Levy Support by Percent	Authorized and Issued	Retired	Out-standing	Principal Due in 2007	Interest Due in 2007
Fire Engine	5.33%	8-21-97	7-1-07	-	$ 110,000	$ 103,054	$ 6,946	$ 6,945	$ 140
Police Vehicle	4.18%	5-1-05	4-1-09	-	20,508	8,601	11,907	5,157	393
Police Vehicle	4.11%	3-31-05	3-1-09	-	27,508	12,093	15,415	6,941	512
Police Building	5.35%	9-11-06	9-1-16	-	165,000	-	165,000	12,862	8,658
TOTAL LEASES					**$ 323,016**	**$ 123,748**	**$ 199,268**	**$ 31,905**	**$ 9,703**

Other Debt Information

There are a number of requirements set forth by the various bond indentures, which the City is in complete compliance with.

Cash and investments (deposits) available and restricted to retirement of these bonds, amounts to $333,003. Of the $4,117,406 statutory net debt limit, the City has $4,117,406 remaining.

All compensated absences which consists of unused comp or vacation time payable only upon termination up to a maximum of 5 or 15 working days are accounted for in the statement of net assets, since none of the amount represents an amount that would normally be liquidated with expendable available financial resources, it is not reported in the fund financial statements. Vacation time must be used annually and can only be carried over for one year, or it is forfeited. The liability for the payroll taxes related to the salary-based payments is also included in the total amount recorded.

Changes in Long-Term Liabilities

	BALANCE, JANUARY 1	ADDITIONS	REDUCTIONS	BALANCE, DECEMBER 31	DUE IN ONE YEAR
GOVERNMENTAL ACTIVITIES					
Compensated absences	$ 42,372	$ 57,755	$ (42,372)	$ 57,755	$ 57,755
General obligation tax increment debt	105,000	-	(50,000)	55,000	55,000
Special assessment debt	1,955,000	-	(215,000)	1,740,000	135,000
Capital leases	59,225	165,000	(24,957)	199,268	31,905
TOTAL	2,161,597	222,755	(332,329)	2,052,023	279,660
BUSINESS-TYPE ACTIVITIES					
Compensated absences	17,442	22,418	(17,442)	22,418	22,418
TOTAL	**$2,179,039**	**$ 245,173**	**$ (349,771)**	**$2,074,441**	**$ 302,078**

In prior years, the General Fund has liquidated the liability for compensated absences of governmental activities.

NOTE 2 - Detailed Notes on all Funds - Continued

G. Prior Period Adjustment

The prior period adjustment in the governmental activities is to adjust the beginning balance for unearned revenue.

NOTE 3 - Other Information

A. Risk Management

The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims from these risks have never exceeded commercial insurance coverage. No claims were unsettled as of December 31, 2006. There have been no significant reductions in insurance coverage.

B. Contingent Liabilities

The City had no claims pending at year-end.

C. Employee Retirement Systems and Pension Plans

1. Defined benefit pension plans - statewide employees plans

   a. Plan Description

   All full-time and certain part-time employees of the City of Goodview are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, chapters 353 and 356.

   PERF 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, fire fighters, and peace officers who qualify for a membership by statute are covered by the PEPFF.

   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 defined 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.

NOTE 3 - Other Information - Continued

C. Employee Retirement Systems and Pension Plans - Continued

1. Defined benefit pension plans - statewide employees' plans - Continued

a. Plan Description - Continued

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under 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 PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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 receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

NOTE 3 - Other Information - Continued

C. Employee Retirement Systems and Pension Plans - Continued

1. Defined benefit pension plans - statewide employees' plans - Continued

   b. Funding Policy

   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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 5.5 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan will increase in 2007 to 5.75 percent. PEPFF members were required to contribute 7.0 percent of their annual covered salary in 2005. That rate will increase to 7.8 percent in 2007. The City of Goodview is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members, 10.5 percent for Coordinated Plan PERF members, and 7.8 percent for PEPFF members. Employer Contribution rates for the Coordinated Plan and PEPFF will increase to 6.25 and 11.7 percent, respectively, effective January 1, 2006. The City's contribution to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005, and 2004 were $20,933, $20,907, and $19,665, respectively. The City's contribution to the Public Employees Police & Fire Fund for the years ending December 31, 2006, 2005, and 2004 were $15,689, $19,608, and $18,004, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

2. Single employer defined benefit pension plan – volunteer fire relief association

   a. Plan Description

   The Goodview Volunteer Fire Department Pension Plan is a single-employer defined benefit pension plan administered by the Goodview Volunteer Fire Fighters Relief Association. The Plan provides a lump sum retirement benefit in the amount of $1,000 per year of service after at least age fifty (50) and twenty (20) years of service, and a death or permanent disability benefit in the amount of that which has accrued to their retirement account pursuant to the statutory formulas upon death or disability. Within statutory compliance, the Association has the authority to establish and amend benefit provisions. The Association issues its own stand-alone financial report that includes financial statements and required supplementary information for the Goodview Volunteer Fire Department Pension Plan. Copies may be obtained by writing the Goodview Volunteer Fire Fighters Relief Association, 4140 5th Street, Goodview, MN, 55987.

NOTE 4 - Other Information - Continued

C. Employee Retirement Systems and Pension Plans – Continued

2. Single employer defined benefit pension plan - volunteer fire relief association - Continued

b. Funding Policy

Funding for the plan is established by State Statute and may be amended by the State Legislature. Currently, the plan is funded by a distribution from the State Fire Insurance Premium Tax and by contributions from the City in accordance with statutory formulas. The City is required by State Statute to contribute. The volunteer fire fighters do not receive any compensation and are not required to and do not contribute to the plan. The City's annual contribution requirement is determined in accordance with statutory formulas.

c. Annual Pension Cost

Minnesota State Statute Chapter 424A establishes the amount of contribution required by the City. The City makes contributions to the plan equal to the amount required by the State Statute. These contribution requirements are not actuarially determined. No actuary is used to determine the actuarial implications of the requirement. The accrued pension liability is calculated based upon the number of years of service of its members with different amounts accruing at different levels of service up to a maximum of $650 per year of service. Required contributions are determined taking the increase in pension obligation and reducing it by the amount of State Aid to be received, 5% of the funds net assets, and 10% of the surplus of assets over total accrued liability. For 2006, no contribution was required. No changes in the method used to calculate contribution requirements of the State Statute were made in 2006.

Three-Year Trend Information

Fiscal Year Ending	Required Statutory Contribution	Actual Contribution	Percentage Contributed
12/31/04	0	0	100%
12/31/05	0	0	100%
12/31/06	0	0	100%

d. Post-Employment Benefits

The City provides post-retirement health, dental, and life insurance benefits for those employees whose age plus years of service total 75 or more. The City pays 85% of the premiums for health, dental, and life insurance for a period not exceeding five years. Any annual increase in the premium from the previous year greater than 5% becomes the responsibility of the retiree. Expenditures for benefits are recognized on a pay-as-you-go basis. During the year there were two participants under the plan. The amount of benefits paid for during the year was $16,383. Incentives for retirement are projected to provide a net savings in personnel costs over the period benefits are payable.

CITY OF GOODVIEW, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2006

CITY OF GOODVIEW, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2006

Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds classified as the general fund and debt service funds. No budget is prepared for other governmental funds, which includes the capital projects fund. All annual appropriations lapse at fiscal year-end.

On or before July of each year, all departments of the City submit requests for appropriations to the City's Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the City Council for review and approval. By September 15, the proposed budget and tax levy must be submitted to the County Auditor. The Council holds public hearings and a final budget and tax levy must be prepared, adopted, and submitted to the County Auditor no later than December 28.

The appropriated budget is prepared by fund, function, and department. The City's Administrator may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is not utilized in the governmental funds due to the very low volume of purchase orders at any point in time for a city of this size. Appropriate budgetary control is maintained through the use of sub-files of unfilled purchase orders which are reviewed when a particular purchase is proposed to determine if any purchase orders are outstanding against the affected appropriation and whether sufficient appropriation remains to allow the proposed purchase.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2006, expenditures exceeded appropriations in the general fund in the amount of $227,450. The over expenditure was funded by greater than anticipated revenue and available fund balances.

GOODVIEW FIREMEN'S RELIEF ASSOCIATION
Goodview, Minnesota

SCHEDULE OF FUNDING PROGRESS

(Unaudited)

Valuation Date	Value of Assets	SAL	Unfunded (Funded) SAL	Funded Ratio	Covered Payroll	USAL as a Percentage of Covered Payroll*
12/31/06	$ 406,569	$ 287,249	$(119,320)	141.54%	N/A	N/A
12/31/05	$ 365,731	$ 261,749	$(103,982)	139.73%	N/A	N/A
12/31/04	$ 334,707	$ 242,454	$ (92,253)	138.05%	N/A	N/A

*The Goodview Firemen's Relief Association is comprised of volunteers, therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations)

Acronyms

SAL – Statutory Accrued Liability

USAL – Unfunded Statutory Accrued Liability

Additional information regarding statutory assumptions and valuation methods are outlined below:

Statutory assumptions:

Administrative expense increase	3.50%
Investment rate of return	5.00%
2006 state aid contribution	100.00%
Amortization of pension benefit surplus (deficit)	10.00%

Investments are valued at fair value.

Statistical Section

This part of the City of Goodview's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents **Page**

Financial Trends **53-58**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **59-62**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity **63-67**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information **68**

This schedule offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. Information on the principal employers is unavailable at this time.

Operating Information **69-70**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF GOODVIEW, MINNESOTA

NET ASSETS BY COMPONENT

Last Three Fiscal Years

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	$ 3,475,001	$ 3,806,554	$ 4,297,699
Restricted	44,984	258,877	407,204
Unrestricted	2,102,779	1,633,046	1,508,918
Total governmental activities net assets	**$ 5,622,764**	**$ 5,698,477**	**$ 6,213,821**
Business-type activities			
Invested in capital assets, net of related debt	$ 6,654,242	$ 6,621,148	$ 6,548,890
Unrestricted	462,631	484,998	430,687
Total business-type activities net assets	**$ 7,116,873**	**$ 7,106,146**	**$ 6,979,577**
Primary government			
Invested in capital assets, net of related debt	$ 10,129,243	$ 10,427,702	$ 10,846,589
Restricted	44,984	258,877	407,204
Unrestricted	2,565,410	2,118,044	1,939,605
Total primary government net assets	**$ 12,739,637**	**$ 12,804,623**	**$ 13,193,398**

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF GOODVIEW, MINNESOTA

CHANGES IN NET ASSETS

Last Three Fiscal Years

(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
EXPENSES			
GOVERNMENTAL ACTIVITIES			
General government	$ 298,887	$ 297,651	$ 351,455
Public safety	465,398	507,089	561,843
Public works	325,683	345,696	362,931
Health and human services	-	1,981	1,193
Economic development	-	42,573	155,490
Culture, recreation, and education	71,892	81,939	106,175
Interest on long-term debt	96,339	86,541	78,640
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES	1,258,199	1,363,470	1,617,727
BUSINESS-TYPE ACTIVITIES			
Water	294,646	276,761	310,309
Sewer	383,076	375,890	402,135
Lease: operating	26,374	17,509	-
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES	704,096	670,160	712,444
TOTAL PRIMARY GOVERMENTAL EXPENSES	**$ 1,962,295**	**$ 2,033,630**	**$ 2,330,171**
PROGRAM REVENUE			
GOVERNMENTAL ACTIVITIES			
Charges for services:			
General government	$ 7,095	$ 6,594	$ 10,152
Public safety	24,603	21,599	20,915
Public works	7,832	10,928	6,043
Culture and recreation	5,325	7,175	9,050
Operating grants and contributions	36,016	105,271	337,720
Capital grants and contributions	183,222	254,082	305,003
TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUE	264,093	405,649	688,883
BUSINESS-TYPE ACTIVITIES			
Charges for services:			
Water	187,696	211,489	267,740
Sewer	325,546	359,297	404,814
Lease: Operating	13,500	12,000	-
TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUE	526,742	582,786	672,554
TOTAL PRIMARY GOVERMENTAL PROGRAM REVENUE	**$ 790,835**	**$ 988,435**	**$ 1,361,437**

CITY OF GOODVIEW, MINNESOTA

CHANGES IN NET ASSETS - Continued

Last Three Fiscal Years

(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
NET (EXPENSE) REVENUE			
Governmental activities	$ (994,106)	$ (957,821)	$ (928,844)
Business-type activities	(177,354)	(87,374)	(39,890)
TOTAL PRIMARY GOVERNMENTAL NET EXPENSE	**$ (1,171,460)**	**$ (1,045,195)**	**$ (968,734)**
GENERAL REVENUE AND OTHER CHANGES IN NET ASSETS			
GOVERNMENTAL ACTIVITIES			
Taxes			
Property taxes	$ 723,724	$ 828,559	$ 940,540
Franchise taxes	23,225	29,018	96,955
Unrestricted grants and contributions	180,564	174,549	196,517
Interest and investment income	69,330	66,371	71,354
Miscellaneous	2,200	3,172	14,374
Transfers	(523,106)	(68,135)	11,229
TOTAL GOVERNMENTAL ACTIVITIES	475,937	1,033,534	1,330,969
BUSINESS-TYPE ACTIVITIES			
Investment earnings	4,954	8,512	7,471
Miscellaneous	154	-	-
Transfers	523,106	68,135	(11,229)
TOTAL BUSINESS-TYPE ACTIVITIES	528,214	76,647	(3,758)
TOTAL PRIMARY GOVERNMENT	**$ 1,004,151**	**$ 1,110,181**	**$ 1,327,211**
CHANGE IN NET ASSETS			
Governmental activities	$ (518,169)	$ 75,713	$ 402,125
Business-type activities	350,860	(10,727)	(43,648)
TOTAL PRIMARY GOVERNMENT	**$ (167,309)**	**$ 64,986**	**$ 358,477**

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF GOODVIEW, MINNESOTA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	$ 7,502	$ -	$ 7,716	$ 9,622	$ 8,659	$ 1,634	$ 10,477	$ 5,483	$ 39,735	$ 220,673
Unreserved	277,586	353,781	387,409	331,580	347,424	410,748	444,072	316,452	163,701	116,384
Total General Fund	**$ 285,088**	**$ 353,781**	**$ 395,125**	**$ 341,202**	**$ 356,083**	**$ 412,382**	**$ 454,549**	**$ 321,935**	**$ 203,436**	**$ 337,057**
All Other Governmental Funds										
Reserved	$ 909,110	$ 881,776	$ 581,249	$ 481,018	$ 325,528	$ 310,815	$ 103,458	$ 174,699	$ 243,372	$ 347,250
Unreserved, reported in:										
Capital projects funds	737,350	429,160	419,040	343,322	713,292	769,182	1,422,107	994,043	804,685	696,604
Total All Other Governmental Funds	**$ 1,646,460**	**$ 1,310,936**	**$ 1,000,289**	**$ 824,340**	**$ 1,038,820**	**$ 1,079,997**	**$ 1,525,565**	**$ 1,168,742**	**$ 1,048,057**	**$ 1,043,854**

CITY OF GOODVIEW, MINNESOTA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	*	*	*	*						
REVENUE										
Taxes	$ 1,214,313	$ 931,298	$ 941,813	$ 862,373	$ 660,992	$ 915,997	$ 853,995	$ 746,949	$ 857,577	$ 1,037,495
Licenses and permits	7,877	8,072	6,457	7,068	7,096	7,183	11,361	14,139	16,159	15,569
Fines and forfeitures	15,393	21,717	26,391	25,357	27,995	30,982	24,674	24,083	21,154	20,364
Charges for services	3,314	22,662	3,564	2,680	797	481	796	6,633	8,983	10,227
Special assessments	120,038	105,100	71,884	48,795	121,825	80,851	157,475	180,095	187,377	127,919
Intergovernmental	215,573	226,801	231,699	233,877	616,997	492,182	292,826	245,949	256,211	519,725
Interest	-	-	-	-	61,810	43,806	78,334	69,330	66,371	71,354
Other revenue	179,987	129,588	103,407	75,579	297,088	293,263	437,371	187,187	110,153	163,724
TOTAL REVENUE	1,756,495	1,445,238	1,385,215	1,255,729	1,794,600	1,864,745	1,856,832	1,474,365	1,523,985	1,966,377
EXPENDITURES										
General government	211,026	207,375	212,098	248,652	237,306	254,178	258,675	287,882	287,266	335,440
Public safety	425,356	346,101	371,402	418,774	415,366	403,445	371,574	415,765	479,640	530,246
Health and human services	-	-	-	-	-	-	-	-	1,981	1,193
Economic development	-	-	-	-	-	-	-	-	42,573	155,490
Other public works	182,711	176,636	180,747	200,395	236,723	300,532	205,211	208,153	231,178	242,803
Culture and recreation	92,516	67,438	36,215	38,926	31,154	23,513	21,045	27,620	35,118	54,941
Capital Outlay	-	-	-	-	1,380,691	1,098,716	754,002	679,544	342,994	459,761
Debt service	587,343	637,041	655,537	526,136						
Interest	182,343	167,041	140,537	116,136	120,161	143,868	148,590	99,838	90,435	81,259
Principal	405,000	470,000	515,000	410,000	430,000	375,000	560,000	245,000	300,000	265,000
TOTAL EXPENDITURES	2,086,295	2,071,632	2,111,536	1,959,019	2,851,401	2,599,252	2,319,097	1,963,802	1,811,185	2,126,133
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	**$ (329,800)**	**$ (626,394)**	**$ (726,321)**	**$ (703,290)**	**$ (1,056,801)**	**$ (734,507)**	**$ (462,265)**	**$ (489,437)**	**$ (287,200)**	**$ (159,756)**

CITY OF GOODVIEW, MINNESOTA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS - Continued

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
OTHER FINANCING SOURCES (USES)										
Debt service - principal	$ (629,538)	$ -	$ (212,192)	$ -	$ -	$ -	$ (275,000)	$ -	$ -	$ -
Proceeds from capital leases	-	-	-	-	-	-	-	-	48,016	165,000
Transfers in	629,358	30,713	235,985	23,000	58,145	-	950,000	-	-	124,174
Total other financing sources (uses)	(180)	30,713	23,793	23,000	2,118,145	-	950,000	-	48,016	289,174
NET CHANGE IN FUND BALANCES	**$ (329,980)**	**$ (595,681)**	**$ (702,528)**	**$ (680,290)**	**$ 1,061,344**	**$ (734,507)**	**$ 487,735**	**$ (489,437)**	**$ (239,184)**	**$ 129,418**
Debt service as a percentage of noncapital expenditures	56.3%	61.5%	62.1%	53.7%	37.4%	34.6%	45.3%	26.9%	26.6%	20.8%

Note:

* These years do not include capital funds, they consist only of the general fund and the debt service fund.

CITY OF GOODVIEW, MINNESOTA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Agriculture Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed as Percentage of Actual Taxable Value
1997	$ 70,619,200	$ 9,427,502	$ 9,812,298	$ 102,381	$ 3,683,300	$ 86,278,081	29.709	99,448,300	0.8676
1998	83,560,700	10,304,100	10,604,300	147,100	3,683,300	100,932,900	25.888	107,469,928	0.9392
1999	93,896,600	11,054,000	12,019,800	127,600	5,938,300	111,159,700	25.796	128,134,600	0.8675
2000	104,658,800	12,236,300	12,484,700	205,000	5,938,300	123,646,500	24.433	133,570,300	0.9257
2001	104,658,800	12,351,300	12,899,400	212,800	6,379,300	123,743,000	24.571	144,294,300	0.8576
2002	116,314,800	14,343,300	13,060,800	376,000	6,820,300	137,274,600	52.454	158,656,600	0.8652
2003	127,964,300	16,531,500	14,067,000	300,700	6,820,300	152,043,200	45.580	158,656,600	0.9583
2004	141,701,900	19,546,900	17,193,600	402,700	7,298,700	171,546,400	36.577	182,758,200	0.9387
2005	149,956,000	21,121,400	17,637,600	416,800	7,780,200	181,351,600	37.464	192,994,400	0.9397
2006	159,212,700	25,243,300	18,368,200	493,600	8,917,100	194,400,700	40.340	207,583,400	0.9365

Source: Winona County Auditor.

CITY OF GOODVIEW, MINNESOTA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

	City Direct Rates			Overlapping Rates [a]		
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District # 861	County of Winona	HRA
1997	20.881	8.828	29.709	53.200	40.997	0.833
1998	14.385	11.503	25.888	60.128	42.997	0.846
1999	14.574	11.222	25.796	54.850	42.890	0.832
2000	13.975	10.458	24.433	50.188	40.659	0.965
2001	15.531	9.040	24.571	47.672	41.480	1.154
2002	44.566	7.888	52.454	17.705	57.297	1.040
2003	41.612	3.968	45.580	17.292	52.376	1.304
2004	28.981	7.596	36.577	14.842	50.591	1.155
2005	27.243	10.221	37.464	16.273	48.970	1.035
2006	32.065	8.275	40.340	13.078	45.996	0.585

Source: Winona County Auditors.

Notes: The city's basic property tax rate may be increased only by a majority vote of the city's residents.

Rates for debt service are set based on each year's requirements.

[a] Overlapping rates are those of local and county governments that apply to property owners within the City of Goodview.

CITY OF GOODVIEW, MINNESOTA

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

	2006			1997		
TAXPAYER	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Lakeside Manor	$ 7,951,400	1	4.09%	$ 1,758,300	2	2.04%
Benchmark of Winona	7,514,600	2	3.87%			
Polymer Composites	3,712,000	3	1.91%	1,391,300	3	1.61%
Winona Lighting	2,535,600	4	1.30%			
Hiatt Manufacturing	2,335,500	5	1.20%	631,600	10	0.73%
Lake Village Associates	2,167,100	6	1.11%	666,800	8	0.77%
Mississippi Welders	2,133,900	7	1.10%			
Fastenal Company	1,915,300	8	0.99%			
Knitcraft Corporation	1,872,700	9	0.96%	831,200	7	0.96%
Corcoran and Herold, Inc.	1,534,900	10	0.79%			
EMD/DCM				4,042,900	1	4.32%
Xcel Energy				1,037,800	4	1.20%
Michael Rivers				976,700	5	1.04%
Win-Van, Inc.				938,800	6	1.00%
Wingfoot Tire Systems				656,900	9	0.76%
Total	**$ 33,673,000**		**17.32%**	**$ 12,932,300**		**14.43%**

Source: Winona County Auditor

CITY OF GOODVIEW, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	$ 671,546	$ 681,583	101.5%	$ 10,919	$ 692,502	103.1%
1998	671,546	683,813	101.8%	11,950	695,763	103.6%
1999	681,046	690,560	101.4%	7,094	697,654	102.4%
2000	721,447	734,236	101.8%	13,579	747,815	103.7%
2001	748,303	759,287	101.5%	3,045	762,332	101.9%
2002	907,460	914,816	100.8%	2,839	917,655	101.1%
2003	851,536	859,229	100.9%	5,183	864,412	101.5%
2004	781,887	775,193	99.1%	7,933	783,126	100.2%
2005	854,119	793,123	92.9%	18,927	812,050	95.1%
2006	995,304	895,383	90.0%	4,278	899,661	90.4%

CITY OF GOODVIEW, MINNESOTA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(dollars in thousands, except per capita)

	Governmental Activities		Business-Type Activities			
Fiscal Year	General Obligation Tax Increment Bonds	Special Assessment Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income [a]	Per Capita [a]
1997	$ 970,000	$ 2,335,000	$ 182,254	$ 3,487,254	6.10%	$ 1,211.69
1998	840,000	1,995,000	156,430	2,991,430	4.92%	1,039.41
1999	670,000	1,650,000	129,127	2,449,127	4.00%	850.98
2000	580,000	1,330,000	97,784	2,007,784	2.53%	595.25
2001	485,000	3,055,000	59,089	3,599,089	4.34%	1,067.03
2002	380,000	2,785,000	56,335	3,221,335	3.75%	955.04
2003	270,000	2,335,000	44,955	2,649,955	3.07%	785.64
2004	150,000	2,210,000	32,953	2,392,953	2.70%	709.44
2005	105,000	1,955,000	59,225	2,119,225	2.21%	628.29
2006 [a]	55,000	1,740,000	199,268	1,994,268	Not available	591.24

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] See Schedule 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF GOODVIEW, MINNESOTA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(dollars in thousands, except per capita)

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Redevelop-ment Bonds	Total	Percentage of Actual Taxable Value of Property [a]	Per Capita [b]
1997	$ 970,000	$ 2,335,000	$ 3,305,000	3.32%	$ 1,148.36
1998	840,000	1,995,000	2,835,000	2.64%	$ 985.06
1999	670,000	1,650,000	2,320,000	1.81%	$ 806.12
2000	580,000	1,330,000	1,910,000	1.43%	$ 566.26
2001	485,000	3,055,000	3,540,000	2.45%	$ 1,049.51
2002	380,000	2,785,000	3,165,000	1.99%	$ 938.33
2003	270,000	2,335,000	2,605,000	1.64%	$ 772.31
2004	150,000	2,210,000	2,360,000	1.29%	$ 699.67
2005	105,000	1,955,000	2,060,000	1.07%	$ 610.73
2006	55,000	1,740,000	1,795,000	0.860%	$ 532.17

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] See Schedule 5 for property value data.

[b] Population data can be found in Schedule 14

CITY OF GOODVIEW, MINNESOTA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of December 31, 2006

(dollars in thousands)

Governmental Unit	Debt Outstanding [a]	Estimated Percentage Applicable [b]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Goodview	$ 400,950	100%	$ 400,950.00
School District #861	20,852,400	9.8%	2,043,535.20
County of Winona	8,350,000	7.4%	617,900.00
Subtotal, overlapping debt			3,062,385.20
City direct debt			400,950.00
Total direct and overlapping debt			**$ 3,463,335.20**

Sources: Assessed value data used to estimate applicable percentages provided by the Winona County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Goodview. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

a The amount represented here includes special assessment bonds ($991,800) payable from general property taxes reduced by amounts available and restricted to the retirement of those bonds.

b For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF GOODVIEW, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2006
(dollars in thousands)

Governmental Unit	Debt Outstanding [a]	Estimated Percentage Applicable [b]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Goodview	$ 400,950	100%	$ 400,950.00
School District #861	20,852,400	9.8%	2,043,535.20
County of Winona	8,350,000	7.4%	617,900.00
Subtotal, overlapping debt			2,661,435.20
Total direct and overlapping debt			**$ 3,062,385.20**

Sources: Assessed value data used to estimate applicable percentages provided by the Winona County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Goodview. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

a The amount represented here includes special assessment bonds ($991,800) payable from general property taxes reduced by amounts available and restricted to the retirement of those bonds.

b For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF GOODVIEW, MINNESOTA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2006	
Assessed value	$205,870,300
Debt limit (2% of assessed value)	4,117,406
Debt applicable to limit:	
General obligation bonds	1,795,000
Less: Amount set aside for repayment of general obligation debt	1,795,000
Total net debt applicable to limit	-
Legal debt margin	**$ 4,117,406**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	$ 2,001,942	$ 2,149,384	$ 2,341,960	$ 2,562,692	$ 2,885,886	$ 2,917,360	$ 3,173,132	$ 3,655,164	$ 3,836,458	$ 4,117,406
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	**$ 2,001,942**	**$ 2,149,384**	**$ 2,341,960**	**$ 2,562,692**	**$ 2,885,886**	**$ 2,917,360**	**$ 3,173,132**	**$ 3,655,164**	**$ 3,836,458**	**$ 4,117,406**
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Note: Under Minnesota State law, the City of Goodview's net debt cannot exceed 2 percent of the estimated marke value of property.

CITY OF GOODVIEW, MINNESOTA

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(dollars in thousands)

	Special Assessment Bonds			
Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
1997	$ 249,861	$ 120,038	$ 33,997	1.62
1998	232,656	105,100	24,458	1.80
1999	156,962	71,884	16,480	1.78
2000	143,269	48,795	11,833	2.36
2001	105,193	30,616	8,277	2.70
2002	93,507	22,799	6,574	3.18
2003	185,883	17,611	3,633	8.75
2004	153,161	144,444	52,257	0.79
2005	117,825	137,757	45,640	0.64
2006	106,593	81,840	35,982	0.90

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF GOODVIEW, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Calendar Year	Population	Personal Income [d]	Per Capita Personal Income [a]	Median Age	School Enrollment	Unemployment Rate [b]
2006	3,373	Not available	Not available	Not Available	208	3.6%
1997	2,878	57,142,690	19,855	Not Available	256	3.2%
1998	2,878	60,748,824	21,108	34.9 [b]	255	2.2%
1999	2,878	61,157,500	21,250	27% over 50	248	2.7%
2000	3,373	79,248,635	23,495	36.2 [c]	254	3.2%
2001	3,373	82,969,054	24,598	36.2 [c]	230	3.5%
2002	3,373	85,971,024	25,488	36.2 [c]	198	3.7%
2003	3,373	86,291,459	25,583	36.2 [c]	194	4.7%
2004	3,373	88,645,813	26,281	36.2 [c]	199	4.4%
2005	3,373	96,056,294	28,478	36.2 [c]	194	3.6%

Sources:

a Minnesota Department of Economic Security (by County)
The per capita personal income used is for that of Winona County, in which the city resides, the smallest region applicable to the City that this information is available for.

b Minnesota State Demographer Center (by County)

c Minnesota State Demographer Center (2000 Census)

d This estimated personal income is calculated by taking the per capita personal income of Winona County and multiplying it by the City population.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF GOODVIEW, MINNESOTA

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	Fiscal Year									
Function/Program	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
General government										
Building permits issued	63	61	59	62	54	54	71	71	71	71
Building inspections conducted										
Police										
Physical arrests	138	144	151	103	151	159	202	150	128	140
Parking violations	37	54	44	79	60	64	34	82	136	66
Traffic violations	502	712	921	735	940	915	630	720	549	591
Fire										
Emergency responses	28	15	17	17	**	14	20	23	18	15
Fires extinguished	7	10	5	8	**	6	6	13	8	9
Inspections	2	2	2	2	**	2	2	2	2	2
Water										
Customers	906	915	928	946	929	941	967	986	1,009	1,116
Water main breaks										
Average daily consumption (thousands of gallons)	413,356	334,690	340,668	341,680	343,293	308,190	369,350	313,001	335,975	337,248
Peak daily consumption (thousands of gallons)										
Wastewater										
Customers	981	989	1,002	1,020	1,001	1,009	1,036	1,054	1,075	1,099
Average daily sewage treatment (thousands of gallons)	**	**	**	**	**	283,251	282,379	280,872	265,970	259,658

** Information not available

Sources: Various city departments.

CITY OF GOODVIEW, MINNESOTA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	Fiscal Year									
Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Policemen										
Full-time	4	4	4	4	4	4	4	4	4	4
Part-time	5	5	6	6	6	6	6	9	9	12
Patrol units	5	5	5	5	5	5	5	5	5	5
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Volunteers	28	29	31	29	27	25	27	30	29	29
Other public works										
Streets (miles)										
Paved	15.6	15.6	15.6	16.2	16.2	16.8	16.8	16.8	16.8	17
Unpaved	1	1	1	1	1	1	1	1.1	1.1	1.1
Streetlights	165	165	165	165	165	165	181	173	174	176
Recreation and culture										
Acreage	13.2	13.2	13.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Parks/playgrounds	4	4	4	5	5	5	5	5	5	5
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer/football fields	0	0	0	0	3	3	3	3	3	3
Basketball courts	1	1	1	1	1	2	2	2	2	2
Tennis courts	1	2	2	2	2	2	2	2	2	2
Biking/walking trail (2 miles)	0	0	0	0	0	0	0	1	1	1
Water										
Water mains (miles)	16.5	16.5	16.5	16.5	18.8	18.8	18.8	19.2	19.2	19.4
Fire hydrants	117	119	120	120	138	139	140	158	162	167
Storage capacity (millions of gallons)	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Watewater										
Sanitary sewers (miles)	13.9	13.9	13.9	13.9	15.5	15.6	15.9	16.7	16.7	16.9
Storm sewers (miles)	6.4	6.4	6.4	6.4	6.7	6.7	6.7	6.7	6.7	6.7

CITY OF GOODVIEW, MINNESOTA

OTHER REPORTS

DECEMBER 31, 2006

Hawkins, Ash, Baptie

& COMPANY, LLP

Certified Public Accountants | Business Advisors

Real Solutions. Real Service.

INDEPENDENT AUDITORS' 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

To the City Council
City of Goodview, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Goodview, Minnesota ("City"), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2007. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the segregation of duties deficiency described below to be a significant deficiency in internal control over financial reporting.

Segregation of Duties

The size of the City's administrative staff limits the amount of duties that can be properly segregated. This weakness could result in the possibility of undetected errors or irregularities. Without a larger staff, an ideal internal control system is not possible. We need to make you aware of this weakness even though it is not practical to correct it with more staff. We have noted several other controls that are being used to help compensate for this weakness.

Management's Response - This segregation of duties weakness is impractical to totally correct due to the limited resources and staff available to our organization. We will continue to use other controls, where practical, to compensate for this limitation.

Management's Responsibility for Preparation of Financial Statements

Adequate internal controls necessitate personal (management or others) of the City have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP). The training and knowledge of personnel limits your ability to prepare GAAP basis financial statements. This weakness could result in the possibility of undetected errors and irregularities. Without additional training of personnel, adequate internal control over financial reporting is not possible.

Management's Response - This weakness is impractical to correct due to the training of our personnel. We will continue to outsource these duties to our audit firm in lieu of correcting this weakness.

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 entity's internal control. Our consideration of the 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 the 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 the financial statement preparation significant deficiency described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

The Minnesota Legal Compliance Audit Guide for Local Government contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories. The results of our testes indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

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

Hawkins, Ash, Baptie & Company, LLP

La Crosse, Wisconsin
May 11, 2007