CITY OF GOODVIEW, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

Prepared by:
Finance Administration Department

Dan Matejka
Administrator

CITY OF GOODVIEW, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
DECEMBER 31, 2012

	Page Number
INTRODUCTORY SECTION	
Transmittal Letter	3-6
GFOA Certificate of Achievement	7
Organizational Chart	8
Principal Officers	9
FINANCIAL SECTION	
Independent Auditors' Report	10-12
Management's Discussion and Analysis	13-20
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	21-22
Statement of Activities	23-24
Fund Financial Statements	
Balance Sheet - Governmental Funds	25
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
NOTES TO THE BASIC FINANCIAL STATEMENTS	31-56
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	57
Notes to Required Supplementary Information on Budgetary Accounting and Control	58
Goodview Firemen's Relief Association - Schedule of Funding Progress	59
Other Post Employment Benefits – Schedule of Funding Progress	60
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Debt Service Fund	61

CITY OF GOODVIEW, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS - Continued
DECEMBER 31, 2012

		Page Number
	STATISTICAL SECTION	
Schedule 1 -	Net Position by Component Last Nine Fiscal Years	62
Schedule 2 -	Changes in Net Position Last Nine Fiscal Years	63-64
Schedule 3 -	Fund Balances of Governmental Funds Last Ten Fiscal Years	65
Schedule 4 -	Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years	66-67
Schedule 5 -	Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years	68
Schedule 6 -	Direct and Overlapping Property Tax Rates Last Ten Fiscal Years	69
Schedule 7 -	Principal Property Tax Payers Current Year and Nine Years Ago	70
Schedule 8 -	Property Tax Levies and Collections Last Ten Fiscal Years	71
Schedule 9 -	Ratios of Outstanding Debt by Type Last Ten Fiscal Years	72
Schedule 10 -	Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years	73
Schedule 11 -	Direct and Overlapping Governmental Activities Debt As of December 31, 2012	74
Schedule 12 -	Legal Debt Margin Information Last Ten Fiscal Years	75
Schedule 13 -	Pledged-Revenue Coverage Last Ten Fiscal Years	76
Schedule 14 -	Demographic and Economic Statistics Last Ten Calendar Years	77
Schedule 15 -	Principal Employers Current Year and Nine Years Ago	78
Schedule 16 -	City Government Employees by Function Last Ten Fiscal Years	79
Schedule 17 -	Operating Indicators by Function/Program Last Ten Fiscal Years	80
Schedule 18 -	Capital Asset Statistics by Function/Program Last Ten Fiscal Years	81
	OTHER REPORTS	
	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*	82-84

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CITY OF GOODVIEW, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2012

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THE CITY OF
GOODVIEW

4140 Fifth Street
Goodview, MN 55987

507/452-1630 • Fax 507/452-2174

June 5, 2013

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

Minnesota statutes require all cities to issue an annual report on their financial position and activity prepared in accordance with generally accepted accounting 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, 2012.

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 benefit of internal controls should outweigh their costs, 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 Russell & Associates, LLC, 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, 2012, 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 auditors concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Goodview's financial statements for the fiscal year ended December 31, 2012 are fairly presented in conformity with GAAP. The independent auditors' 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 4,000 (2010 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 and debt service fund for which an appropriated annual budget has been adopted.

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 specific environment within which the City of Goodview operates.

Local Economy

Because of its proximity to the City of Winona, the City of Goodview benefits from the employment opportunities offered in the regional economy. However, a number of major industries call Goodview home. These major industries 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 retreading 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.

In 2012, the City experienced a decline of approximately 30 in the total number of building permits issued, but saw a significant increase of nearly $2.6 million in the total dollar value of those permits, which was almost double the 2011 value. The category which saw the most substantial increase in dollar value for 2012, but with basically the same number of total permits issued when compared to 2011, was for Industrial/Commercial Improvements. This category had 25 total permits, with four of them being in-excess of $250,000 each. In total this Industrial/Commercial Improvements category accounted for approximately $2.77 million of the total $5,437,000 the City issued in 2012. The City also had two new apartment complexes built in 2012 with just over $1 million in value attached to them. The City saw a significant drop in total market value from 2011, but this was clearly a result of a legislative change to the State's tax levy system. The State legislature in 2012 eliminated the residential Homestead Market Value Credit (HMVC) program, and replaced it with a Homestead Market Value Exclusion (HMVE) program. This new program excluded a certain portion of total market value from taxes; thus the decrease in total market value for the City. The retail economy in the adjacent urban area has stayed stable over the past 12 months, and continues to provide a variety of available goods and services within easy access of all area residents.

For the third year in a row, the unemployment rate for Winona County dropped, this time from 5.5% in 2011, to 4.7% in 2012. This is still below the State rate of 5.4%, and almost three full percentage points lower than the national average of 7.6%.

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

City's Financial Policies:

General Fund Unassigned Fund Balance. The City's Fund Balance continues to grow through conservative budgeting and prudent spending. In 2012 this Fund Balance is about 64%, or 7.5 months, of General Fund Expenditures, – a far cry from where it was in 2006 when it was only 9%. The continued growth in this Fund Balance will allow the City to sustain a certain level of services it offers despite a general lack of support from the State of Minnesota in the form of a minimal amount of local government aid.

Capital Improvement Plan. The City completed a three-year plan in 2012. However, during the past year, the City continued the concept of a Capital Improvement Plan, by exploring the needs of not only the City as a whole, but all departments. This includes discussing and researching everything from buildings to vehicles to equipment, and the potential funding mechanisms to accomplish such a plan.

Projects. This year was the third year of a multiple year project to reline all the City's sewer lines, a project that is estimated to cost the City over $1 million when completed. Since the inception of this project the City has spent nearly $170,000. To date the entire project has been financed through the Sewer Fund, but the City continues to explore for grants and other potential funding sources for the project. The City also expanded its campus of City buildings in 2012 by entering into a contract-for-deed agreement to purchase a structure behind the current Police Department. This building will act as another Maintenance Department building to do in-house mechanical work on the City's fleet of vehicles and equipment.

Awards and Acknowledgements

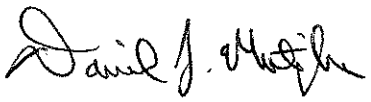
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Goodview for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This is the fifth straight year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, the City needs to publish an easily readable and efficiently organized CAFR which conforms to program standards. The report satisfies both accounting principles generally accepted in the United States of America, and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to the entire staff that contributed to the preparation of this report, specifically the members of the Finance Department. Thank you also to the City's Mayor and entire Council for their leadership and unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectively submitted,



Daniel J. Matejka
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Goodview
Minnesota

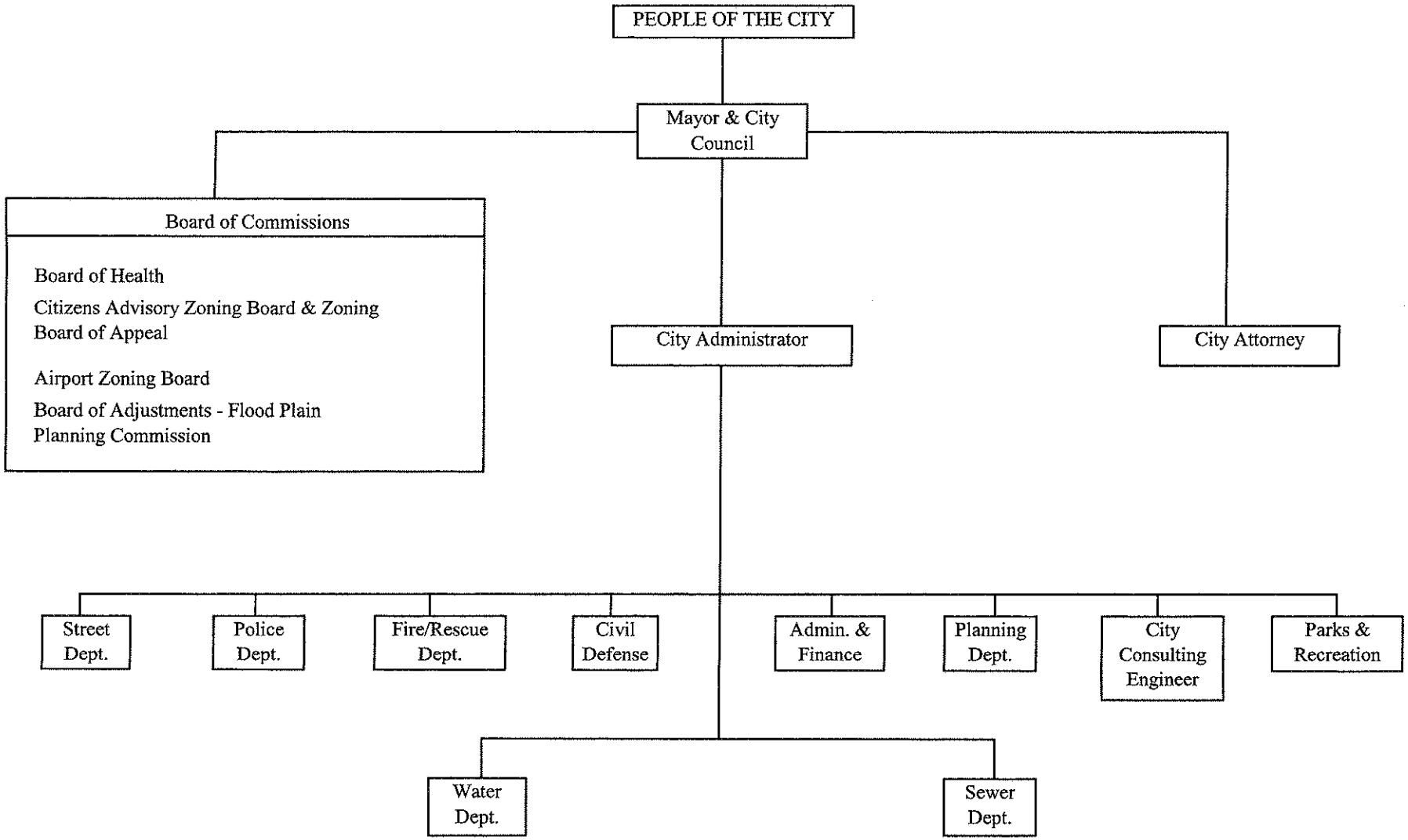
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Christopher P Morrill
President

Jeffrey R. Esser
Executive Director

ORGANIZATIONAL CHART - CITY OF GOODVIEW, MINNESOTA



CITY OF GOODVIEW, MINNESOTA
PRINCIPAL OFFICERS
MAYOR – COUNCIL

John Weimerskirch	**Mayor**
Michael Alexander	**Council member**
Richard Ledebuhr	**Council member**
Sandy Erdman	**Council member**
Steve Baumgart	**Council member**

Dan Matejka	**Administrator**
Judy Gottschalk	**Administrative Assistant**
Denise Herber	**General Services/Accounting Clerk**
Lori Eshweiler	**Clerk Typist/Accounting Tech**

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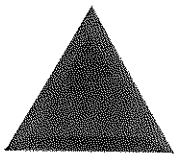
CITY OF GOODVIEW, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2012



RUSSELL & ASSOCIATES LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Goodview, Minnesota

Report on the Financial Statements

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, 2012, and for the year ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective January 1, 2012.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund, and the supplemental information identified as "Goodview Firemen's Relief Association, Schedule of Funding Progress" and "Other Post Employment Benefits, Schedule of Funding Progress", as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goodview, Minnesota's basic financial statements. The supplemental information identified as "Budgetary Comparison Schedule – Debt Service Fund"; and introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The "Budgetary Comparison Schedule – Debt Service Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in

the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the City of Goodview, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Russell & Associates, LLC

Winona, Minnesota
May 30, 2013

Management's Discussion and Analysis

As management of the City of Goodview, Minnesota, we offer readers of the City of Goodview, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Goodview, Minnesota for the fiscal year ended December 31, 2012. 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.

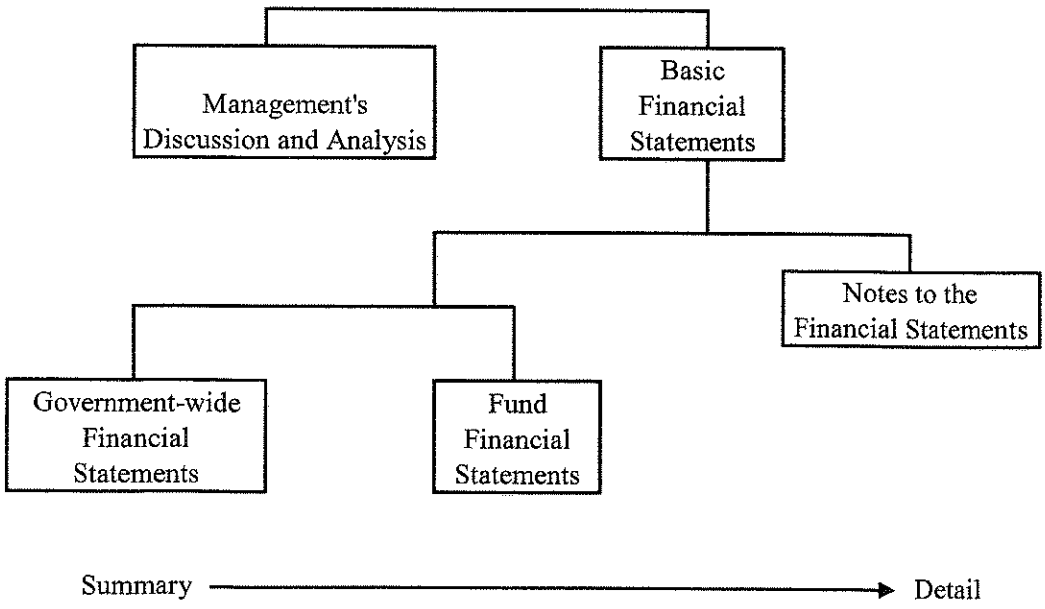
Financial Highlights

- The assets of the City of Goodview, Minnesota exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $20,543,425 *(net position)*. Of this amount, $2,748,726 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net position of the business-type activities decreased by $155,948 and total net position of the governmental activities increased by $466,135. This resulted in a total increase in net position of $310,187 for the City.
- As of the close of the current fiscal year, the City of Goodview, Minnesota's governmental funds reported combined ending fund balances of $2,584,194, an increase of $340,576 in comparison with the prior year. The major portion of this increase is in the Capital Projects Fund where the City completed a street and utility improvement project, and transferred a portion of it from this fund to the Water and Sewer funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $935,744, or 64 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 the 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 basic 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 and budget information.

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 financial statements. There are two parts to the Fund Financial Statements: the governmental funds statements and the proprietary funds 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 and budgetary information required by the General Statutes. **Other supplementary information** includes budgetary information for the debt-service fund.

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 financial statements provide short and long-term information about the City's financial status as a whole.

The government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The government-wide financial 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 and sewer services 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 Position 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 and debt service funds. 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 two 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 and sewer utilities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position 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 and sewer utility, both 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 and budgetary information. Required supplementary information can be found following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position 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 and deferred inflows of resources by $20,543,425, at the close of the most recent fiscal year.

By far the largest portion of the City of Goodview, Minnesota's net position (79 percent) reflects its net 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 Position

Figure 2

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011, as restated	2012	2011, as restated	2012	2011, as restated
Current & other assets	$ 3,433,144	$ 3,199,479	$ 1,303,418	$ 1,492,622	$ 4,736,562	$ 4,692,101
Capital assets	9,140,431	9,073,449	13,577,788	13,717,963	22,718,219	22,791,412
Total assets	12,573,575	12,272,928	14,881,206	15,210,585	27,454,781	27,483,513
Long-term liabilities outstanding	2,861,163	3,022,162	3,690,990	3,866,924	6,552,153	6,889,086
Other liabilities	151,644	156,133	95,047	92,544	246,691	248,677
Total liabilities	3,012,807	3,178,295	3,786,037	3,959,468	6,798,844	7,137,763
Deferred inflows of resources	112,512	112,512	-	-	112,512	112,512
Net position:						
Net investment in capital assets	6,392,151	6,243,221	9,932,857	9,892,032	16,325,008	16,135,253
Restricted	1,469,691	1,531,793	-	-	1,469,691	1,531,793
Unrestricted	1,586,414	1,207,107	1,162,312	1,359,085	2,748,726	2,566,192
Total net position	**$ 9,448,256**	**$ 8,982,121**	**$ 11,095,169**	**$ 11,251,117**	**$ 20,543,425**	**$ 20,233,238**

An additional portion of the City of Goodview, Minnesota's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($2,748,726) 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 position, 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.

City of Goodview, Minnesota's Changes in Net Position

Figure 3

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011, as restated	2012	2011, as restated	2012	2011, as restated
REVENUE						
Program revenue						
Charges for services	$ 94,891	$ 83,295	$ 1,373,828	$ 1,283,075	$ 1,468,719	$ 1,366,370
Operating grants & contributions	78,724	96,122	-	-	78,724	96,122
Capital grants & contributions	33,550	13,550	-	-	33,550	13,550
General revenue:						
Taxes	1,559,428	1,472,843	-	-	1,559,428	1,472,843
Intergovernmental revenue	40,217	88,235	-	-	40,217	88,235
Interest and investment income	42,471	51,583	11,413	8,308	53,884	59,891
Miscellaneous	28,197	60,499	-	-	28,197	60,499
TOTAL REVENUE	1,877,478	1,866,127	1,385,241	1,291,383	3,262,719	3,157,510
EXPENSES						
General government	426,421	421,254	-	-	426,421	421,254
Public safety	743,131	786,448	-	-	743,131	786,448
Public works	473,693	517,402	-	-	473,693	517,402
Health and human services	1,001	1,304	-	-	1,001	1,304
Culture and recreation	110,826	149,539	-	-	110,826	149,539
Interest and fiscal charges	87,038	94,162	-	-	87,038	94,162
Water	-	-	590,857	570,069	590,857	570,069
Sewer	-	-	519,565	526,290	519,565	526,290
TOTAL EXPENSES	1,842,110	1,970,109	1,110,422	1,096,359	2,952,532	3,066,468
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	35,368	(103,982)	274,819	195,024	310,187	91,042
TRANSFERS	430,767	(12,364)	(430,767)	12,364	-	-
CHANGE IN NET POSITION	466,135	(116,346)	(155,948)	207,388	310,187	91,042
NET POSITION – BEGINNING	8,982,121	9,136,662	11,251,117	11,054,640	20,233,238	20,191,302
Cumulative effect of change in accounting principle	-	(38,195)	-	(10,911)	-	(49,106)
NET POSITION – BEGINNING, as restated	8,982,121	9,098,467	11,251,117	11,043,729	20,233,238	20,142,196
NET POSITION - ENDING	**$ 9,448,256**	**$ 8,982,121**	**$ 11,095,169**	**$ 11,251,117**	**$20,543,425**	**$20,233,238**

Figure 3 provides summarized operating results and their impact on net position. 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: Governmental activities increased the City's net position by $466,135. Taxes increased and intergovernmental revenue decreased as a result of a legislative change to the Minnesota tax levy system. The homestead residential market value credit was replaced with a homestead market value exclusion. Under the new system, the City's tax levy is not reduced by the market value credits. These credits were then reimbursed by the State. The majority though of this increase was the result of a transfer of costs for the utilities portion of a capital project completed in 2012.

Business-type activities: Business-type activities net position decreased $155,948 the majority of which was a result of a transfer from the capital projects fund for the utilities portion of a street and utility improvement project completed in 2012.

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, unassigned 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, unassigned fund balance of the General Fund was $935,744, while total fund balance was $1,008,012. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 64 percent of total General Fund expenditures, while total fund balance represents 69 percent of that same amount. The General Fund's fund balance increased $103,295 during 2012. The increase is partially attributable to the City's conservative budgeting practice and conscience effort of prudent spending which helps create an atmosphere of no deficit spending.

At December 31, 2012, the Debt Service Fund of the City of Goodview, Minnesota reported a fund balance of $963,458, an increase of $54,158 from last year. The increase is partially due to the law-given authority to levy an additional 5% over planned expenditures in the Debt Service fund. It also is attributable to nearly $50,000 more in assessments being received then budgeted for. The Capital Projects Fund reported a fund balance of $612,724, an increase of $183,123 from 2011. The increase is primarily due to a transfer of costs associated with a capital project where the City completed a street and utility improvement project, and transferred a portion of it from this fund to the Water and Sewer funds.

General Fund Budget. The general fund budget was not amended during the 2012 year. There were very few significant budget-to-actual variances at the end of the 2012 fiscal year. The areas of significant variances between budget and actual on the revenue side of the ledger were; (1) Building permits and inspection fees, (2) Other state aid under the Intergovernmental category, and (3) Donations, and Miscellaneous under the Miscellaneous category. In the case of #1, the City's estimate of this revenue was considerably under-budgeted due to the unknowns of building projects at the time of budget creation. For item #2, the City received more state aid than expected for training reimbursement for both the Police and Fire Departments. And for item #3, this involved items the City doesn't typically budget for, such as donations on either the revenue or expenditure sides, dividends received on both our Workers Compensation and Property/Liability insurance plans, and the sale of any equipment and/or vehicles. On the expenditure side of the ledger, there were a few areas where variances occurred when there were both budget and actual figures. These included the Public Works Highway and Streets area where a budgeted street repair project didn't take place, and the Public Safety Fire Protection category and the Law Enforcement Capital Outlay category where items were purchased with donated funds. In the one area where there was a budget but no expenditure (Capital Outlay Fire Protection), the actual expenditure occurred in another budget code. It was just the opposite in the two areas of the Capital Outlay category where there were expenditures but no budget. Finally, the variance in the Parks and Recreation Capital Outlay area was a result of purchases made with donated funds. How the City accounts for donations was addressed earlier in this paragraph.

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

	Unrestricted Net Position	Change in Net Position
Water	$ 491,766	$ (2,217)
Sewer	670,546	(153,731)

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 net investment in capital assets, for its governmental and business-type activities as of December 31, 2012, totals $16,325,008 (net of accumulated depreciation). These assets include land, improvements, buildings, machinery and equipment, infrastructure, and intangibles.

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

- Purchase of a building to be used as a shop
- Remodeling project for the leased building
- Purchase of a plow truck
- Purchase a hoist
- Purchase two scoreboards
- Sanitary sewer relining project
- Purchase of a police vehicle

City of Goodview, Minnesota's Capital Assets

Figure 4

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Land	$ 906,399	$ 906,399	$ 62,689	$ 62,689	$ 969,088	$ 969,088
Construction work-in-progress	-	830,175	-	1,856,556	-	2,686,731
Buildings	1,525,345	1,277,426	3,627,153	3,627,153	5,152,498	4,904,579
Improvements	964,586	964,586	-	-	964,586	964,586
Machinery and equipment	1,937,447	1,836,810	1,684,355	1,657,185	3,621,802	3,493,995
Infrastructure	8,287,998	7,448,067	10,934,060	8,985,018	19,222,058	16,433,085
Less: Accumulated depreciation	(4,481,344)	(4,190,014)	(2,730,469)	(2,470,638)	(7,211,813)	(6,660,652)
TOTAL	**$ 9,140,431**	**$ 9,073,449**	**$ 13,577,788**	**$ 13,717,963**	**$ 22,718,219**	**$ 22,791,412**

Additional information on the City's capital assets can be found in the Note 2C to the Comprehensive Annual Financial Statements on pages 42-43.

Long-Term Obligations. As of December 31, 2012, the City of Goodview, Minnesota had total long-term obligations outstanding of $6,889,086. Of this, $6,550,673 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents capital leases, compensated absences, and other post employment benefits.

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

Figure 5

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Special Assessment Bonds	$ 2,440,508	$ 2,724,741	$ -	$ -	$ 2,440,508	$ 2,724,741
General Obligation Water Bond	-	-	3,644,932	3,825,932	3,644,932	3,825,932
Contract for deed	145,000	-	-	-	145,000	-
Other long-term obligations	275,655	297,421	46,058	40,992	321,713	338,413
TOTAL	**$ 2,861,163**	**$ 3,022,162**	**$ 3,690,990**	**$ 3,866,924**	**$ 6,552,153**	**$ 6,889,086**

The City's total debt decreased by $336,933 (5 %) during the past fiscal year mainly due to the existing payment schedules of the various debt service obligations.

The State of Minnesota statutes limit the amount of general obligation debt that a unit of government can issue to 3 percent of the total market value of taxable property located within that government's boundaries. The legal debt limit for the City of Goodview, Minnesota is $7,028,475.

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 45-48.

Economic Factors and Next Year's Budgets and Rates

The 2013 General Fund expenditure budget is $1,638,245, which is $163,186, or 11.1%, more than the 2012 budget. Due to the fact the City chose not to raise the property tax levy at all from its 2012 level of $1,361,739, this increase was mostly funded by two factors. The first is the recognition of 100% of Local Government Aid (LGA) which equates to an increase of about $100,000 more than what was budgeted for in 2012, and second is the use of approximately $75,000 of Unassigned Fund Balance. The property tax rate for 2013 decreased ever so slightly to 47.713% from the 2012 level of 47.759%.

During 2012, building projects totaled $5,436,811 compared with a total of $2,847,908 for 2011 – an increase of 90.1%.

These factors were considered when the City prepared its 2013 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, 2012

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CITY OF GOODVIEW, MINNESOTA

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DECEMBER 31, 2012

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 2,149,189	$ 1,540,113	$ 3,689,302
Receivables			
Accounts	60,184	188,482	248,666
Taxes	33,843	-	33,843
Special assessments	727,159	-	727,159
Internal balances	437,220	(437,220)	-
Due from other governments	5,794	-	5,794
Inventories	-	2,470	2,470
Prepaid items	19,755	9,573	29,328
Capital assets not being depreciated			
Land and construction in progress	906,399	62,689	969,088
Capital assets, net of accumulated depreciation			
Buildings	944,313	3,092,782	4,037,095
Improvements other than buildings	638,281	-	638,281
Machinery and equipment	896,939	1,401,114	2,298,053
Infrastructure	5,754,499	9,021,203	14,775,702
TOTAL ASSETS	**$ 12,573,575**	**$ 14,881,206**	**$ 27,454,781**

(Continued on page 22)

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

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2012

LIABILITIES AND NET POSITION	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable	$ 108,001	$ 58,566	$ 166,567
Customer deposits	3,000	-	3,000
Accrued interest	40,531	34,891	75,422
Due to other governments	112	1,590	1,702
Noncurrent liabilities			
Due within one year	440,918	207,902	648,820
Due in more than one year	2,420,245	3,483,088	5,903,333
TOTAL LIABILITIES	3,012,807	3,786,037	6,798,844
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	112,512	-	112,512
NET POSITION			
Net investment in capital assets	6,392,151	9,932,857	16,325,008
Restricted for			
Debt service	1,417,178	-	1,417,178
First responders	2,100	-	2,100
Equipment - fire	14,052	-	14,052
Equipment - police	1,431	-	1,431
Police K-9	3,336	-	3,336
Parks	10,418	-	10,418
Recreation programs	5,998	-	5,998
Flood relief	15,178	-	15,178
Unrestricted	1,586,414	1,162,312	2,748,726
TOTAL NET POSITION	9,448,256	11,095,169	20,543,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 12,573,575**	**$ 14,881,206**	**$ 27,454,781**

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

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE CHARGES FOR SERVICES	PROGRAM REVENUE OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUE CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES				
General government	$ 426,421	$ 9,757	$ 3,612	$ 10,000
Public safety	743,131	22,305	68,709	10,000
Public works	473,693	50,702	5,794	-
Health and human services	1,001	-	-	-
Culture and recreation	110,826	12,127	609	13,550
Interest and fiscal charges	87,038	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,842,110	94,891	78,724	33,550
BUSINESS-TYPE ACTIVITIES				
Water	590,857	711,828	-	-
Sewer	519,565	662,000	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,110,422	1,373,828	-	-
TOTAL	$ 2,952,532	$ 1,468,719	$ 78,724	$ 33,550

GENERAL REVENUE
Taxes
Property taxes
Franchise taxes
Intergovernmental revenue not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
TRANSFERS
TOTAL GENERAL REVENUE AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR
Cumulative effect of change in accounting principle
NET POSITION AT BEGINNING OF YEAR, as restated

NET POSITION AT END OF YEAR

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

NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
$ (403,052)		$ (403,052)
(642,117)		(642,117)
(417,197)		(417,197)
(1,001)		(1,001)
(84,540)		(84,540)
(87,038)		(87,038)
(1,634,945)		(1,634,945)
	$ 120,971	120,971
	142,435	142,435
	263,406	263,406
(1,634,945)	263,406	(1,371,539)
1,372,544	-	1,372,544
186,884	-	186,884
40,217	-	40,217
42,471	11,413	53,884
28,197	-	28,197
430,767	(430,767)	-
2,101,080	(419,354)	1,681,726
466,135	(155,948)	310,187
9,013,002	11,260,945	20,273,947
(30,881)	(9,828)	(40,709)
8,982,121	11,251,117	20,233,238
$ 9,448,256	**$ 11,095,169**	**$ 20,543,425**

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CITY OF GOODVIEW, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2012

CITY OF GOODVIEW, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

ASSETS	GENERAL FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	$ 953,334	$ 948,423	$ 247,432	$ 2,149,189
Receivables				
Accounts	60,184	-	-	60,184
Taxes	27,654	6,189	-	33,843
Special assessments	-	588,404	138,755	727,159
Due from other governments	-	-	5,794	5,794
Due from other funds	63	572	437,206	437,841
Prepaid items	19,755	-	-	19,755
TOTAL ASSETS	**$ 1,060,990**	**$ 1,543,588**	**$ 829,187**	**$ 3,433,765**
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 30,293	$ -	$ 77,708	$ 108,001
Customer deposits	3,000	-	-	3,000
Due to other governments	112	-	-	112
Due to other funds	49	-	572	621
TOTAL LIABILITIES	33,454	-	78,280	111,734
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	19,524	4,309	-	23,833
Unavailable revenue - special assessments	-	575,821	138,183	714,004
TOTAL DEFERRED INFLOWS OF RESOURCES	19,524	580,130	138,183	737,837
FUND BALANCES				
Nonspendable:				
Prepaids	19,755	-	-	19,755
Restricted:				
Debt service	-	963,458	-	963,458
First responders	2,100	-	-	2,100
Equipment - fire	14,052	-	-	14,052
Equipment - police	1,431	-	-	1,431
Police K-9	3,336	-	-	3,336
Parks	10,418	-	-	10,418
Recreation programs	5,998	-	-	5,998
Flood relief	15,178	-	-	15,178
Assigned	-	-	612,724	612,724
Unassigned	935,744	-	-	935,744
TOTAL FUND BALANCES	1,008,012	963,458	612,724	2,584,194
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 1,060,990**	**$ 1,543,588**	**$ 829,187**	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	9,140,431
Other long-term assets are not available to pay for current expenditures and, therefore, are unavailable revenue in the governmental funds	625,325
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	(2,440,508)
Contract for deed	(145,000)
Capital leases payable	(162,772)
Accrued interest	(40,531)
Compensated absences	(62,677)
Other post employment benefits	(33,064)
Other long-term liability	(17,142)
NET POSITION OF GOVERNMENTAL ACTIVITIES	**$ 9,448,256**

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, 2012

	GENERAL FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Taxes				
Property	$ 1,101,643	$ 278,280	$ 3	$ 1,379,926
Franchise	186,884	-	-	186,884
Licenses and permits	59,088	-	-	59,088
Intergovernmental	106,038	38	5,794	111,870
Charges for services	13,564	-	-	13,564
Fines and forfeitures	22,239	-	-	22,239
Special assessments	-	115,771	16,852	132,623
Interest	204	34,132	8,135	42,471
Donations	30,621	-	10,000	40,621
Miscellaneous	37,250	-	-	37,250
TOTAL REVENUE	1,557,531	428,221	40,784	2,026,536
EXPENDITURES				
Current				
General government	396,725	-	10,000	406,725
Public safety	718,883	-	-	718,883
Public works	263,863	-	24,801	288,664
Health and human services	1,001	-	-	1,001
Culture and recreation	44,814	-	-	44,814
Capital outlay	28,950	-	398,627	427,577
Debt service				
Principal	-	280,000	-	280,000
Interest and fiscal charges	-	94,063	-	94,063
TOTAL EXPENDITURES	1,454,236	374,063	433,428	2,261,727
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	103,295	54,158	(392,644)	(235,191)
OTHER FINANCING SOURCES				
Issuance of contract for deed	-	-	145,000	145,000
Transfers in	-	-	430,767	430,767
TOTAL OTHER FINANCING SOURCES	-	-	575,767	575,767
NET CHANGE IN FUND BALANCES	103,295	54,158	183,123	340,576
FUND BALANCES AT BEGINNING OF YEAR	904,717	909,300	429,601	2,243,618
FUND BALANCES AT END OF YEAR	**$ 1,008,012**	**$ 963,458**	**$ 612,724**	**$ 2,584,194**

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

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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, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Total Governmental Funds		$ 340,576
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.		
Capital outlay	$ 427,577	
Less: Depreciation expense	(351,542)	76,035
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and contributions) is to decrease net assets.		(9,053)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
Change in unavailable revenue - delinquent taxes	(7,382)	
Change in unavailable revenue - special assessments	(132,623)	(140,005)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Issuance of contract for deed	(145,000)	
Lease principal payments	46,605	
Bond principal payments	280,000	181,605
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	3,299	
Amortization of bond discount or premium	4,233	
Change in compensated absences	1,149	
Change in other post employment benefits	(8,846)	
Other long-term liability	17,142	16,977
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		**$ 466,135**

The accompanying notes an integral part of these financial statements.

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

ASSETS	WATER FUND	SEWER FUND	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	$ 600,880	$ 939,233	$ 1,540,113
Receivables			
Accounts	44,134	54,102	98,236
Unbilled	46,044	44,202	90,246
Due from other funds	-	49	49
Inventories	2,470	-	2,470
Prepaid items	4,997	4,576	9,573
TOTAL CURRENT ASSETS	698,525	1,042,162	1,740,687
NONCURRENT ASSETS			
CAPITAL ASSETS			
Land	50,534	12,155	62,689
Buildings, plants, and stations	3,465,550	161,603	3,627,153
Storage, distribution, and collection system	5,723,495	5,210,565	10,934,060
Machinery and equipment	1,509,964	174,391	1,684,355
TOTAL CAPITAL ASSETS	10,749,543	5,558,714	16,308,257
Less accumulated depreciation	1,584,021	1,146,448	2,730,469
NET CAPITAL ASSETS	9,165,522	4,412,266	13,577,788
TOTAL ASSETS	**$ 9,864,047**	**$ 5,454,428**	**$ 15,318,475**
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	$ 12,888	$ 45,678	$ 58,566
Accrued interest	34,891	-	34,891
Due to other governments	1,562	28	1,590
Due to other funds	134,389	302,880	437,269
Current portion of long-term debt	186,000	-	186,000
Current portion of compensated absences	10,951	10,951	21,902
TOTAL CURRENT LIABILITIES	380,681	359,537	740,218
NONCURRENT LIABILITIES			
Long-term debt	3,458,932	-	3,458,932
Compensated absences	2,243	2,243	4,486
Other post employment benefits	9,835	9,835	19,670
TOTAL NONCURRENT LIABILITIES	3,471,010	12,078	3,483,088
TOTAL LIABILITIES	3,851,691	371,615	4,223,306
NET POSITION			
Net investment in capital assets	5,520,590	4,412,267	9,932,857
Unrestricted	491,766	670,546	1,162,312
TOTAL NET POSITION	6,012,356	5,082,813	11,095,169
TOTAL LIABILITIES AND NET POSITION	**$ 9,864,047**	**$ 5,454,428**	**$ 15,318,475**

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

CITY OF GOODVIEW, MINNESOTA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	WATER FUND	SEWER FUND	TOTALS
OPERATING REVENUE			
Sales	$ 585,343	$ 651,143	$ 1,236,486
Charges for services	105,776	7,608	113,384
Miscellaneous	20,709	3,249	23,958
TOTAL OPERATING REVENUE	711,828	662,000	1,373,828
OPERATING EXPENSES			
Cost of sales and services	240,547	392,759	633,306
Administration	65,853	52,658	118,511
Depreciation	185,683	74,148	259,831
TOTAL OPERATING EXPENSES	492,083	519,565	1,011,648
OPERATING INCOME	219,745	142,435	362,180
NONOPERATING REVENUE (EXPENSE)			
Interest income	5,826	5,587	11,413
Interest expense	(98,774)	-	(98,774)
TOTAL NONOPERATING REVENUE (EXPENSE)	(92,948)	5,587	(87,361)
INCOME BEFORE TRANSFERS	126,797	148,022	274,819
TRANSFERS OUT	(129,014)	(301,753)	(430,767)
CHANGE IN NET POSITION	(2,217)	(153,731)	(155,948)
NET POSITION AT BEGINNING OF YEAR	6,024,401	5,236,544	11,260,945
Cumulative effect of change in accounting principle	(9,828)	-	(9,828)
NET POSITION AT BEGINNING OF YEAR, as restated	6,014,573	5,236,544	11,251,117
NET POSITION AT END OF YEAR	**$ 6,012,356**	**$ 5,082,813**	**$ 11,095,169**

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, 2012

	WATER UTILITY	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 701,147	$ 655,019	$ 1,356,166
Receipts for (payments from) interfund services	150,964	303,004	453,968
Payments to suppliers for goods and services	(174,375)	(330,974)	(505,349)
Payments to employees for services	(119,854)	(119,851)	(239,705)
NET CASH PROVIDED BY OPERATING ACTIVITIES	557,882	507,198	1,065,080
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(129,014)	(301,753)	(430,767)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(18,897)	(100,758)	(119,655)
Principal paid on capital debt	(181,000)	-	(181,000)
Interest paid on capital debt	(100,507)	-	(100,507)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(300,404)	(100,758)	(401,162)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5,826	5,587	11,413
NET INCREASE IN CASH AND CASH EQUIVALENTS	134,290	110,274	244,564
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	466,590	828,959	1,295,549
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 600,880**	**$ 939,233**	**$ 1,540,113**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 219,745	$ 142,435	$ 362,180
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	185,683	74,148	259,831
Changes in assets and liabilities			
(Increase) decrease in assets			
Accounts receivable	(10,681)	(6,981)	(17,662)
Due from other funds	16,575	124	16,699
Inventories	371	-	371
Prepaid items	(1,622)	(1,287)	(2,909)
Increase (decrease) in liabilities			
Accounts payable	10,864	(6,682)	4,182
Due to other governments	25	28	53
Due to other funds	134,389	302,880	437,269
Compensated absences	5	5	10
Other post employment benefits	2,528	2,528	5,056
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 557,882**	**$ 507,198**	**$ 1,065,080**

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

CITY OF GOODVIEW, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2012

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, 2012, 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 position and the statement of activities) report the overall financial activity of the City. They include all funds of the reporting entity except for fiduciary funds. Governmental activities, which normally are supported by taxes, intergovernmental revenue, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers 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. The City does not allocate indirect expenses to functions in the statement of activities. 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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are 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, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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.

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. Elimination of these charges would distort the direct costs and program revenue reported from the various functions concerned.

Amounts reported as program revenue include: 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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position 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, Deferred Outflows/Inflows of Resources and Net Position 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 money market funds which are registered under the Federal Investment Company Act of 1940 and are rated in the two highest rating categories for money market funds by a nationally recognized statistical rating agency: shares of investment companies registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by a nationally recognized 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; commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies, and matures in 270 days or less; time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks; Guaranteed Investment Contracts issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing, and with a credit quality in one of the two highest categories by a nationally recognized rating agency; repurchase or reverse repurchase and securities lending agreements with financial institutions qualified as a "depository" of public funds of the City, with banks that are members of the Federal Reserve System and whose combined capital and surplus equals or exceeds $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 noncurrent 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".

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

2. Receivables and Payables - Continued

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance 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.

Property taxes are submitted to the County Auditor by December 28 of each year to be levied on January 1. The County acts as a collection agent for all property taxes. 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. The County provides tax settlements to cities and other taxing districts normally during the months of January, June, and December.

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 by specific identification.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012 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. Insurance premiums are accounted for using the purchases method in the fund financial statements.

5. Capital Assets and Intangible Assets

Capital and intangible assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), easements, water rights, timber rights, patents, trademarks, and computer software 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 for machinery, equipment and vehicles, $25,000 for buildings, improvements, collection and distribution systems, and streets and public infrastructure, and $25,000 for intangible assets 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.

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

5. Capital Assets - Continued

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 capital asset projects. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No enterprise fund capital asset projects during 2012 required interest to be capitalized.

Property, plant, and equipment of the City are depreciated or amortized 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
Intangible assets	10

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. An estimate for the liability for unpaid vacation and compensatory time benefits is prepared and accrued when incurred in government-wide and proprietary fund statements.

Sick leave can be accumulated up to a maximum of 120 days. All sick leave is cancelled when an employee leaves the employment of the City unless the employee qualifies for other post-employment benefits as more fully described in Note 3D.

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

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 position. Bond premiums and discounts 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 expensed in the period incurred.

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.

8. Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

9. Fund Equity

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

NOTE 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or, for legal or contractual reasons, must be kept intact. This classification includes prepaid amounts, inventories, long-term receivables, and corpus on any permanent funds.

Restricted – Constraints placed on the use of these resources are either externally imposed by creditors (such as through bond covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed – Includes amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority. Fund Balance amounts are committed through a resolution approved by the City Council.

Assigned – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom that authority has been given. With the exception of the general fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned – This is the residual classification for the general fund and also reflects negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

10. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 1 - Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - Continued

11. Change in Accounting Principles

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective January 1, 2012. These standards provide guidance for the financial reporting of deferred inflows of resources and deferred outflows of resources. It also identifies net position rather that net assets as the residual of all other elements presented in a statement of financial position. As a result, certain elements were reclassified as deferred inflows that were formerly reported as deferred revenue. In addition, the equity section of the government-wide financial statements has been reclassified for the new terminology. GASB No. 65 also requires bond issuance costs to be expensed in the period incurred. The effect of this change was to decrease beginning net position of the governmental activities in the government-wide statement of net position by $30,881. Beginning net position decreased by $9,828 for the business-type activities in the government-wide statements and water fund in the proprietary fund statements.

The City also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This standard incorporated into GASB's authoritative literature certain accounting and financial reporting guidance that is included in: Financial Accounting Standards Board (FASB) Statements & Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of this statement did not result in any significant changes to these financial statements.

NOTE 2 - Detailed Notes on all Funds

A. Deposits and Investments

All deposits of funds are pooled in two 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 $3,689,202 and the bank balances totaled $3,740,689. 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.

NOTE 2 - Detailed Notes on all Funds - Continued

A. Deposits and Investments - Continued

	Merchants National Bank	Wells Fargo Bank
Deposits - Cash	$ 1,547,709	$ 2,192,980
Less: Federal Deposit Insurance	(543,429)	(338,496)
Deposits in excess of insured amounts	**$ 1,004,280**	**$ 1,854,484**
Security collateral required	$ 1,104,709	$ 2,039,932
Security collateral provided Federal/Gov. National Mort. Assoc. and general/revenue obligations of local governments-market value	1,715,889	2,051,849
Excess of security collateral	**$ 611,180**	**$ 11,917**

Bank balances of deposits including cash, money market accounts, and certificates of deposits as of December 31, 2012 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 2012 included certificates of deposit and deposits in interest bearing money market accounts. Deposits as of December 31, 2012 are as follows:

	Deposit Amount	Carrying Amount
Wells Fargo Bank		
Checking accounts	$ 88,496	$ 44,121
Money market accounts	2,104,484	2,104,484
Merchants Bank		
Checking accounts	293,429	286,317
Money market accounts	1,254,280	1,254,280
Total deposits	3,740,689	3,689,202
Petty cash and change funds	-	100
Total cash and change fund	**$ 3,740,689**	**$ 3,689,302**

NOTE 2 - Detailed Notes on all Funds – Continued

A. Deposits and Investments - Continued

Fair (Market) Value of Investments - Investments are reported at fair value. At December 31, 2012, 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.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds that 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, 2012, $881,925 of the City's bank balance of $3,740,689 is covered by FDIC coverage, and the remaining $2,858,764 was collateralized. None of the City's deposits were exposed to custodial credit risk.

B. Receivables

Receivables at December 31, 2012 for the City's individual major funds consist of the following:

	General Fund	Debt Service	Capital Projects	Water Fund	Sewer Fund	Total
Receivables:						
Accounts	$ 60,184	$ -	$ -	$ 90,178	$ 98,304	$ 248,666
Taxes - delinquent	27,654	6,189	-	-	-	33,843
Special assessments						
Delinquent	-	12,582	-	-	-	12,582
Deferred	-	575,822	138,755	-	-	714,577
Total receivables	**$ 87,838**	**$ 594,593**	**$ 138,755**	**$ 90,178**	**$ 98,304**	**$ 1,009,668**

Governmental funds report deferred inflows of resources in connection with receivables that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, unavailable revenue reported in the governmental funds was for special assessments and delinquent taxes not yet available for the amount of $737,837.

NOTE 2 - Detailed Notes on all Funds – Continued

C. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	RECLASS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	$ 906,399	$ -	$ -	$ -	$ 906,399
Construction work-in-progress	830,175	9,756	-	(839,931)	-
Total capital assets not being depreciated	1,736,574	9,756	-	(839,931)	906,399
Capital assets being depreciated					
Buildings	1,277,426	247,919	-	-	1,525,345
Improvements	964,586	-	-	-	964,586
Machinery and equipment	1,836,810	169,902	69,265	-	1,937,447
Infrastructure	7,448,067	-	-	839,931	8,287,998
Total capital assets being depreciated	11,526,889	417,821	69,265	839,931	12,715,376
Less accumulated depreciation for:					
Buildings	543,901	37,131	-	-	581,032
Improvements	290,582	35,723	-	-	326,305
Machinery and equipment	972,042	128,678	60,212	-	1,040,508
Infrastructure	2,383,489	150,010	-	-	2,533,499
Total accumulated depreciation	4,190,014	351,542	60,212	-	4,481,344
Total capital assets being depreciated, net	7,336,874	66,279	9,053 17,251	839,931	8,234,032
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	**$ 9,073,449**	**$ 76,035**	**$ 9,053**	**$ -**	**$ 9,140,431**

NOTE 2 - Detailed Notes on all Funds - Continued

C. Capital Assets - Continued

	BEGINNING BALANCE	INCREASES	DECREASES	RECLASS	ENDING BALANCE
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land	$ 62,689	$ -	$ -	$ -	$ 62,689
Construction work-in-progress	1,856,556	6,439	-	(1,862,995)	-
Total capital assets not being depreciated	1,919,245	6,439	-	(1,862,995)	62,689
Capital assets being depreciated					
Buildings	3,627,153	-	-	-	3,627,153
Machinery and equipment	1,657,185	27,170	-	-	1,684,355
Infrastructure	8,985,018	86,047	-	1,862,995	10,934,060
Total capital assets being depreciated	14,269,356	113,217	-	1,862,995	16,245,568
Less accumulated depreciation for:					
Buildings	462,046	72,325	-	-	534,371
Machinery and equipment	219,144	64,097	-	-	283,241
Infrastructure	1,789,448	123,409	-	-	1,912,857
Total accumulated depreciation	2,470,638	259,831	-	-	2,730,469
Total capital assets being depreciated, net	11,798,718	(146,614)	-	1,862,995	13,515,099
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	**$ 13,717,963**	**$ (140,175)**	**$ -**	**$ -**	**$ 13,577,788**

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

GOVERNMENTAL ACTIVITIES	
General government	$ 18,689
Public safety	82,581
Public works	184,259
Culture and recreation	66,013
TOTAL DEPRECIATION EXPENSE-GOVERNMENTAL ACTIVITIES	**$ 351,542**
BUSINESS-TYPE ACTIVITIES	
Sewer	$ 74,148
Water	185,683
TOTAL DEPRECIATION EXPENSE-BUSINESS-TYPE ACTIVITIES	**$ 259,831**

NOTE 2 - Detailed Notes on all Funds – Continued

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012, is as follows:

Due to/from other funds:

Receivable fund	Payable Fund	Amount
General Fund	Water Fund	$ 63
Sewer Fund	General Fund	49
Debt Service	Capital Projects	572
Capital Projects	Water Fund	134,326
Capital Projects	Sewer Fund	302,880
TOTAL		**$ 437,890**

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, (4) and funds overdraw their share of pooled cash.

Individual fund transfers during 2012 are as follows:

Transfer Out	Transfer In	Amount
Water Fund	Capital Projects	$ 129,014
Sewer Fund	Capital Projects	301,753
TOTAL		**$ 430,767**

Transfers were for the sewer and water portions of construction projects accounted for in the capital projects fund.

E. Capital Leases

The City entered into a lease purchase agreement in 2009 to acquire a police vehicle. The City has also financed the acquisition of a fire truck, copier and the police building by means of leases. 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 payments as of the date of the inception. The property and equipment were recorded as capital assets while the liability created is recorded as a long-term obligation in the statement of net position. 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.

NOTE 2 - Detailed Notes on all Funds – Continued

E. Capital Leases - Continued

The lease purchase agreements at December 31, 2012 consisted of the following:

Description	Dated	Original Cost Capital Assets	Interest Rate	Amount Outstanding
Police Vehicle	10-01-09	$ 35,215	3.90 %	$ 6,243
Fire Pumper Truck	03-20-07	256,112	4.62 %	79,610
Police Building	09-11-06	165,000	5.35 %	76,578
Police Copier	01-29-10	5,381	8.99%	341
				$ 162,772

The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2012:

Year Ending December 31,	Payment
2013	$ 47,996
2014	41,317
2015	41,317
2016	41,317
2017	9,899
Total minimum lease payments	181,846
Less: amounts representing interest	19,074
Present value of future minimum lease payments	**$ 162,772**

F. Long-Term Debt

General Obligation Bonds

The City issued $4,277,500 of General Obligation Water Bonds in 2008 for the construction of two water filtration plants. This bond is recorded as a liability in the water fund. The bonds are payable from revenue derived from the operation of the water utility and are backed by the full faith, credit and taxing power of the City. The bonds have a stated interest rate of 2.627% and mature in 2028. The balance outstanding at December 31, 2012 was $3,644,932.

NOTE 2 - Detailed Notes on all Funds – Continued

F. Long-Term Debt - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending December 31,	Business-Type Activities	
	Principal	Interest
2013	$ 186,000	$ 95,752
2014	191,000	90,866
2015	196,000	85,849
2016	201,000	80,700
2017	207,000	75,419
2018 - 2022	1,117,000	292,718
2023 - 2027	1,272,000	138,119
2028	274,932	7,222
TOTAL	$ 3,644,932	$ 866,645

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 position. Of the total amount of outstanding special assessment debt, $1,444,700 is considered debt of the City and $985,300 is the special assessment portion.

Annual debt service requirements to maturity for special assessment bonds are as follows:

Fiscal Year Ending December 31,	Governmental Activities	
	Principal	Interest
2013	$ 305,000	$ 85,160
2014	315,000	75,321
2015	325,000	64,593
2016	320,000	53,468
2017	330,000	41,652
2018 - 2022	720,000	90,333
2023	115,000	2,587
TOTAL	$ 2,430,000	$ 413,114

NOTE 2 - Detailed Notes on all Funds – Continued

F. Long-Term Debt - Continued

Individual bond issues which comprise long-term debt's special assessment bonds with government commitment 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 2013	Interest Due in 2013
2007 Imp. Bonds	4.00% - 4.50%	8-8-07	2-1-23	37%	$ 1,600,000	$ 410,000	$ 1,190,000	$ 100,000	$ 48,647
2009A Ref Bonds	2.50%	12-1-09	2-1-18	81%	1,550,000	310,000	1,240,000	205,000	36,513
Total Special Assessment Bonds					$ 3,150,000	$ 720,000	$ 2,430,000	$ 305,000	$ 85,160

Contract for Deed

The City entered into a contract for deed to purchase a building to be used for a shop. The contract matures in 2017 and pays interest at 5%. Annual debt service requirements to maturity for the contract for deed are as follows:

Fiscal Year Ending December 31,	Governmental Activities	
	Principal	Interest
2013	$ 26,209	$ 6,926
2014	27,535	5,600
2015	28,929	4,206
2016	30,394	2,741
2017	31,933	1,202
TOTAL	$ 145,000	$ 20,675

Other Debt Information

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

Cash and investments (deposits) available and restricted to retirement of these bonds, amounts to $948,423. Of the $7,028,475 statutory net debt limit, the City has $3,383,543 remaining.

NOTE 2 - Detailed Notes on all Funds – Continued

F. Long-Term Debt - Continued

Changes in Long-Term Liabilities

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

	BALANCE, JANUARY 1	ADDITIONS	REDUCTIONS	BALANCE, DECEMBER 31	DUE IN ONE YEAR
GOVERNMENTAL ACTIVITIES					
Bonds payable					
Special assessment debt with government commitment	$ 2,710,000	$ -	$(280,000)	$ 2,430,000	$ 305,000
Unamortized premium (discount)	14,741	-	(4,233)	10,508	-
Total bonds payable	2,724,741	-	(284,233)	2,440,508	305,000
Contract for deed	-	145,000	-	145,000	26,209
Capital leases	209,377	-	(46,605)	162,772	40,545
Compensated absences	63,826	62,677	(63,826)	62,677	52,022
Claims	34,283	-	(17,141)	17,142	17,142
Other post employment benefits	24,218	8,846	-	33,064	-
TOTAL	3,056,445	216,523	(411,805)	2,861,163	440,918
BUSINESS-TYPE ACTIVITIES					
Bonds payable					
General Obligation	3,825,932	-	(181,000)	3,644,932	186,000
Compensated absences	26,378	26,388	(26,378)	26,388	21,902
Other post employment benefits	14,614	5,056	-	19,670	-
TOTAL	3,866,924	31,444	(207,378)	3,690,990	207,902
TOTAL	**$ 6,923,369**	**$ 247,967**	**$ (619,183)**	**$ 6,552,153**	**$ 648,820**

For the governmental activities, compensated absences and other post employment benefits are generally liquidated by the General Fund.

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, 2012. 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 General Employees Retirement Fund (GERF) 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.

GERF 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 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 GERF 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 GERF 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 1-800-652-9026.

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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. In 2012, the City of Goodview was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were $37,654, $36,849, and $34,881, respectively. The City's contribution to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011, and 2010 were $44,640, $42,127, and $39,046, 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 $1,400 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 3 - 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 $1,400 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 fund's net position, and 10% of the surplus of assets over total accrued liability. For 2012, a contribution of $10,027 was required. No changes in the method used to calculate contribution requirements of the State Statute were made in 2012.

Three-Year Trend Information

Fiscal Year Ending	Statutory Contribution	Actual Contribution	Percentage Contributed
12/31/10	$27,848	$27,848	100%
12/31/11	$10,763	$10,763	100%
12/31/12	$10,027	$10,027	100%

D. Funded Status and Funding Progress

As of December 31, 2012, the most recent statutorial valuation date, the plan was 95.82% funded. The statutory accrued liability for benefits was $382,146, and the statutory value of plan assets was $366,187, resulting in an unfunded statutory accrued liability (USAL) of $15,959. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

NOTE 3 - Other Information – Continued

C. Employee Retirement Systems and Pension Plans - Continued

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

D. Funded Status and Funding Progress - Continued

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the statutory value of plan assets are increasing or decreasing over time relative to the statutory accrued liability for benefits.

E. Actuarial Methods and Assumptions

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

Statutory Assumptions:	
Administrative expense increase	3.5%
Investment rate of return	5.0%
2012 State Aid Contribution	100.0%
Amortization of pension benefit surplus (deficit) on a closed basis	10.0%

Investments are valued at fair value.

D. Post Employment Benefits Other Than Pensions

A. Plan Description

The City offers other post employment benefits under a defined benefit single-employer plan. For employees retiring after May 26, 2008, the City pays severance in an amount equaling 15% of their current salary and the amount obtained by multiplying $110 times the retirees' unused number of sick leave days up to the maximum of 120 days. The severance pay will be contributed to the Post-Retirement Health Care Savings Plan with the Minnesota State Retirement System within one month of the effective date of retirement. The plan does not issue a publicly available financial report. Benefit provisions are established and amended by the City Council.

B. Funding Policy

Employees do not make contributions to the plan. The City makes payments on a pay-as-you go basis. The City did not make any payments during the current year.

NOTE 3 - Other Information – Continued

D. Post Employment Benefits Other Than Pensions - Continued

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	$	17,742
Interest on net OPEB obligation		582
Adjustment to annual required contribution		(4,211)
Annual OPEB cost		14,113
Contributions made		-
Increase in net OPEB obligation		14,113
Net OPEB obligation-beginning of year		38,833
Net OPEB obligation-end of year	$	52,946

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding year were as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
12/31/12	$	14,113	0%	$	52,946
12/31/11		13,577	0%		38,833
12/31/10		12,077	0%		25,256

NOTE 3 - Other Information – Continued

D. Post Employment Benefits Other Than Pensions - Continued

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $99,762, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $664,769, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.0 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and salary trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the date the employee becomes eligible to receive benefits which is when their age and full-time years of service total 75 or more.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Payroll growth rate – The expected long-term payroll growth rate was assumed to be 2 percent.

Inflation rate – The expected long-term inflation rate was assumed to equal the payroll growth rate.

NOTE 3 - Other Information – Continued

D. Post Employment Benefits Other Than Pensions - Continued

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 1.5 percent was used. In addition, a simplified version of the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at January 1, 2012, was ten years.

E. Related Party Transactions

The City paid $1,082 for equipment rental and repair services and to a company owned by the Director of Public Works for the City during 2012. At December 31, 2012, there was no balance due to this Company.

The City also paid $7,415 during 2012 for phone and internet services to a company of which an officer is related to the Administrator of the City. At December 31, 2012, $3,085 was owed to this company. The City earned $19,987 in franchise fees from this company during the year. At year end, $5,098 was owed to the City from this company.

F. Subsequent Events

In May 2013, the City issued $610,000 General Obligation Refunding Bonds, Series 2013A to crossover refund the City's outstanding General Obligation Improvement Bonds, Series 2007A. The interest rates on the bonds range from 0.65 percent to 1.7 percent and have a maturity date of February 1, 2023.

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CITY OF GOODVIEW, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2012

CITY OF GOODVIEW, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUE				
Taxes				
Property	$ 1,111,276	$1,111,276	$ 1,101,643	$ (9,633)
Franchise	184,400	184,400	186,884	2,484
Licenses and permits	33,400	33,400	59,088	25,688
Intergovernmental	84,063	84,063	106,038	21,975
Charges for services	14,470	14,470	13,564	(906)
Fines and forfeitures	21,400	21,400	22,239	839
Interest	750	750	204	(546)
Donations	4,000	4,000	30,621	26,621
Miscellaneous	21,300	21,300	37,250	15,950
TOTAL REVENUE	1,475,059	1,475,059	1,557,531	82,472
EXPENDITURES				
Current				
General government	391,972	391,972	396,725	(4,753)
Public safety	709,789	709,789	718,883	(9,094)
Public works	321,121	321,121	263,863	57,258
Health and human services	2,125	2,125	1,001	1,124
Culture and recreation	39,052	39,052	44,814	(5,762)
Capital outlay	11,000	11,000	28,950	(17,950)
TOTAL EXPENDITURES	1,475,059	1,475,059	1,454,236	20,823
NET CHANGE IN FUND BALANCES	-	-	103,295	103,295
FUND BALANCES AT BEGINNING OF YEAR	904,717	904,717	904,717	-
FUND BALANCES AT END OF YEAR	**$ 904,717**	**$ 904,717**	**$ 1,008,012**	**$ 103,295**

CITY OF GOODVIEW, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2012

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 1 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 between departments. 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, 2012, expenditures did not exceed appropriations in the general fund.

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*
12/31/2012	$ 366,187	$ 382,146	$ 15,959	95.82%	N/A	N/A
12/31/2011	312,672	356,638	43,966	87.67%	N/A	N/A
12/31/2010	337,910	372,290	34,380	90.77%	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%
2012 state aid contribution	100.00%
Amortization of pension benefit surplus (deficit) on a closed basis	10.00%

Investments are valued at fair value.

CITY OF GOODVIEW, MINNESOTA
OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	(AAL) Simplified Unit Credit Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	$ -	$ 99,762	$ 99,762	0.00%	$ 664,769	15.0%
1/1/2011	-	91,507	91,507	0.00%	631,767	14.5%
1/1/2010	-	83,324	83,324	0.00%	642,235	13.0%

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CITY OF GOODVIEW, MINNESOTA

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2012

CITY OF GOODVIEW, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2012

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUE				
Taxes				
Property	$ 276,613	$ 276,613	$ 278,280	$ 1,667
Intergovernmental	-	-	38	38
Special assessments	65,619	65,619	115,771	50,152
Interest	35,140	35,140	34,132	(1,008)
TOTAL REVENUE	377,372	377,372	428,221	50,849
EXPENDITURES				
Current				
General government	650	650	-	650
Public works	650	650	-	650
Debt Service				
Principal	280,000	280,000	280,000	-
Interest and fiscal charges	94,043	94,043	94,063	(20)
TOTAL EXPENDITURES	375,343	375,343	374,063	1,280
NET CHANGE IN FUND BALANCES	2,029	2,029	54,158	52,129
FUND BALANCES AT BEGINNING OF YEAR	909,300	909,300	909,300	-
FUND BALANCES AT END OF YEAR	**$ 911,329**	**$ 911,329**	**$ 963,458**	**$ 52,129**

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 62-67
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 68-71
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 72-76
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 77-78
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 79-81
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.

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CITY OF GOODVIEW, MINNESOTA
NET POSITION BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Net investment in capital assets	$ 3,475,001	$ 3,806,554	$ 4,297,699	$ 3,537,666	$ 3,605,519	$ 6,056,830	$ 6,219,292	$ 6,243,221	$ 6,392,151
Restricted	44,984	258,877	407,204	465,846	952,124	2,180,104	921,805	1,531,793	1,469,691
Unrestricted	2,102,779	1,633,046	1,508,918	2,600,837	2,239,425	785,471	1,995,566	1,237,989	1,586,414
Total governmental activities net position	**$ 5,622,764**	**$ 5,698,477**	**$ 6,213,821**	**$ 6,604,349**	**$ 6,797,068**	**$ 9,022,405**	**$ 9,136,663**	**$ 9,013,003**	**$ 9,448,256**
Business-type activities									
Net investment in capital assets	$ 6,654,242	$ 6,621,148	$ 6,548,890	$ 7,432,972	$ 8,479,231	$ 10,141,722	$ 9,963,178	$ 9,892,032	$ 9,932,857
Unrestricted	462,631	484,998	430,687	415,021	392,499	722,991	1,091,463	1,368,913	1,162,312
Total business-type activities net position	**$ 7,116,873**	**$ 7,106,146**	**$ 6,979,577**	**$ 7,847,993**	**$ 8,871,730**	**$ 10,864,713**	**$ 11,054,641**	**$ 11,260,945**	**$ 11,095,169**
Primary government									
Net investment in capital assets	$ 10,129,243	$ 10,427,702	$ 10,846,589	$ 10,970,638	$ 12,084,750	$ 16,198,552	$ 16,182,470	$ 16,135,253	$ 16,325,008
Restricted	44,984	258,877	407,204	465,846	952,124	2,180,104	921,805	1,531,793	1,469,691
Unrestricted	2,565,410	2,118,044	1,939,605	3,015,858	2,631,924	1,508,462	3,087,029	2,606,902	2,748,726
Total primary government net position	**$ 12,739,637**	**$ 12,804,623**	**$ 13,193,398**	**$ 14,452,342**	**$ 15,668,798**	**$ 19,887,118**	**$ 20,191,304**	**$ 20,273,948**	**$ 20,543,425**

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.
The City implemented GASB Statement No. 65 in 2012. Prior years have not been retroactively restated for the changes required by implementation of this standard.

CITY OF GOODVIEW, MINNESOTA
CHANGES IN NET POSITION
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES									
GOVERNMENTAL ACTIVITIES									
General government	$ 298,887	$ 297,651	$ 351,455	$ 369,184	$ 386,718	$ 422,544	$ 433,780	$ 421,254	$ 426,421
Public safety	465,398	507,089	561,843	767,116	694,283	628,129	662,033	786,448	743,131
Public works	325,683	345,696	362,931	399,820	498,266	475,234	487,595	517,402	473,693
Health and human services	-	1,981	1,193	838	1,003	1,888	1,892	1,304	1,001
Economic development	-	42,573	155,490	-	-	-	-	-	-
Culture and recreation	71,892	81,939	106,175	101,162	100,538	84,294	124,350	149,539	110,826
Interest on long-term debt	96,339	86,541	78,640	97,565	131,869	125,738	120,969	101,476	87,038
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES	1,258,199	1,363,470	1,617,727	1,735,685	1,812,677	1,737,827	1,830,619	1,977,423	1,842,110
BUSINESS-TYPE ACTIVITIES									
Water	294,646	276,761	310,309	313,432	338,210	483,165	578,220	571,153	590,857
Sewer	383,076	375,890	402,135	447,918	519,413	507,106	514,261	526,290	519,565
Lease: operating	26,374	17,509	-	-	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES	704,096	670,160	712,444	761,350	857,623	990,271	1,092,481	1,097,443	1,110,422
TOTAL PRIMARY GOVERNMENT EXPENSES	$ 1,962,295	$2,033,630	$ 2,330,171	$2,497,035	$2,670,300	$ 2,728,098	$ 2,923,100	$3,074,866	$ 2,952,532
PROGRAM REVENUE									
GOVERNMENTAL ACTIVITIES									
Charges for services:									
General government	$ 7,095	$ 6,594	$ 10,152	$ 7,578	$ 7,411	$ 8,507	$ 9,700	$ 9,671	$ 9,757
Public safety	24,603	21,599	20,915	21,482	19,471	20,701	24,405	20,268	22,305
Public works	7,832	10,928	6,043	8,213	4,906	23,523	29,381	35,467	50,702
Culture and recreation	5,325	7,175	9,050	7,165	12,295	10,727	26,372	17,889	12,127
Operating grants and contributions	36,016	105,271	337,720	307,684	97,619	61,343	89,318	96,122	78,724
Capital grants and contributions	183,222	254,082	305,003	951,999	1,118,558	4,007,074	107,127	13,550	33,550
TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUE	264,093	405,649	688,883	1,304,121	1,260,260	4,131,875	286,303	192,967	207,165
BUSINESS-TYPE ACTIVITIES									
Charges for services:									
Water	187,696	211,489	267,740	344,916	416,651	494,304	592,688	655,443	711,828
Sewer	325,546	359,297	404,814	453,053	523,546	590,521	636,281	627,632	662,000
Lease: Operating	13,500	12,000	-	-	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUE	526,742	582,786	672,554	797,969	940,197	1,084,825	1,228,969	1,283,075	1,373,828
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUE	$ 790,835	$ 988,435	$ 1,361,437	$2,102,090	$2,200,457	$ 5,216,700	$ 1,515,272	$1,476,042	$ 1,580,993

CITY OF GOODVIEW, MINNESOTA
CHANGES IN NET POSITION - Continued
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET (EXPENSE) REVENUE									
Governmental activities	$ (994,106)	$ (957,821)	$ (928,844)	$ (431,564)	$ (552,417)	$ 2,394,048	$ (1,544,316)	$ (1,784,456)	$(1,634,945)
Business-type activities	(177,354)	(87,374)	(39,890)	36,619	82,574	94,554	136,488	185,632	263,406
TOTAL PRIMARY GOVERNMENT NET EXPENSE	$ (1,171,460)	$(1,045,195)	$ (968,734)	$ (394,945)	$ (469,843)	$ 2,488,602	$ (1,407,828)	$ (1,598,824)	$(1,371,539)
GENERAL REVENUE AND OTHER CHANGES IN NET POSITION									
GOVERNMENTAL ACTIVITIES									
Taxes									
Property taxes	$ 723,724	$ 828,559	$ 940,540	$ 1,119,965	$1,190,056	$ 1,273,249	$ 1,303,845	$ 1,290,816	$ 1,372,544
Franchise taxes	23,225	29,018	96,955	179,228	166,765	172,024	178,000	182,027	186,884
Unrestricted grants and contributions	180,564	174,549	196,517	243,540	206,920	202,599	88,856	88,235	40,217
Interest and investment income	69,330	66,371	71,354	76,266	107,334	69,233	64,322	51,583	42,471
Miscellaneous	2,200	3,172	14,374	26,097	7,260	4,982	68,741	60,499	28,197
Transfers	(523,106)	(68,135)	11,229	(823,005)	(933,199)	(1,890,798)	(45,190)	(12,364)	430,767
TOTAL GOVERNMENTAL ACTIVITIES	475,937	1,033,534	1,330,969	822,091	745,136	(168,711)	1,658,574	1,660,796	2,101,080
BUSINESS-TYPE ACTIVITIES									
Investment earnings	4,954	8,512	7,471	8,793	7,964	7,632	8,250	8,308	11,413
Miscellaneous	154	-	-	-	-	-	-	-	-
Transfers	523,106	68,135	(11,229)	823,005	933,199	1,890,798	45,190	12,364	(430,767)
TOTAL BUSINESS-TYPE ACTIVITIES	528,214	76,647	(3,758)	831,798	941,163	1,898,430	53,440	20,672	(419,354)
TOTAL PRIMARY GOVERNMENT	$ 1,004,151	$ 1,110,181	$1,327,211	$ 1,653,889	$1,686,299	$ 1,729,719	$ 1,712,014	$ 1,681,468	$ 1,681,726
CHANGE IN NET POSITION									
Governmental activities	$ (518,169)	$ 75,713	$ 402,125	$ 390,527	$ 192,719	$ 2,225,337	$ 114,258	$ (123,660)	$ 466,135
Business-type activities	350,860	(10,727)	(43,648)	868,417	1,023,737	1,992,984	189,928	206,304	(155,948)
TOTAL PRIMARY GOVERNMENT	$ (167,309)	$ 64,986	$ 358,477	$ 1,258,944	$1,216,456	$ 4,218,321	$ 304,186	$ 82,644	$ 310,187

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.
The City implemented GASB Statement No. 65 in 2012. Prior years have not been retroactively restated for the changes required by implementation of this standard.

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CITY OF GOODVIEW, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable									$ 16,933	$ 19,755
Restricted									48,640	52,513
Unassigned									839,144	935,744
Reserved	$ 10,477	$ 5,483	$ 39,735	$ 220,673	$ 113,787	$ 149,255	$ 82,411	$ 78,353	-	-
Unreserved	444,072	316,452	163,701	116,384	390,627	429,983	541,143	776,472	-	-
Total general fund	$ 454,549	$ 321,935	$ 203,436	$ 337,057	$ 504,414	$ 579,238	$ 623,554	$ 854,825	$ 904,717	$1,008,012
All Other Governmental Funds										
Restricted									$ 1,013,191	$ 963,458
Assigned									325,710	612,724
Reserved	$ 103,458	$ 174,699	$ 243,372	$ 347,250	$ 367,378	$ 818,032	$2,116,674	$ 863,363	-	-
Unreserved, reported in:										
Capital projects funds	1,422,107	994,043	804,685	696,604	1,002,700	707,261	821,276	580,710	-	-
Total all other governmental funds	$1,525,565	$1,168,742	$1,048,057	$1,043,854	$1,370,078	$1,525,293	$2,937,950	$1,444,073	$ 1,338,901	$1,576,182

Note: The City began to report new fund balance classifications when it implemented GASB Statement 54 in fiscal year 2011.

Schedule 4

CITY OF GOODVIEW, MINNESOTA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
REVENUE										
Taxes	$ 853,995	$ 746,949	$ 857,577	$ 1,037,495	$1,299,193	$1,324,906	$1,439,235	$ 1,486,101	$ 1,475,324	$1,566,810
Licenses and permits	11,361	14,139	16,159	15,569	15,737	11,709	30,706	37,378	43,642	59,088
Intergovernmental	292,826	245,949	256,211	519,725	468,591	1,374,849	4,239,642	240,588	142,490	111,870
Charges for services	796	6,633	8,983	10,227	7,710	13,856	12,152	27,472	18,794	13,564
Fines and forfeitures	24,674	24,083	21,154	20,364	20,991	18,518	20,599	25,007	20,859	22,239
Special assessments	157,475	180,095	187,377	127,919	288,670	227,674	184,731	122,248	136,440	132,623
Interest	78,334	69,330	66,371	71,354	76,266	107,334	69,232	64,321	51,584	42,471
Other revenue	437,371	187,187	110,153	163,724	143,334	87,564	35,433	118,677	119,670	77,871
TOTAL REVENUE	1,856,832	1,474,365	1,523,985	1,966,377	2,320,492	3,166,410	6,031,730	2,121,792	2,008,803	2,026,536
EXPENDITURES										
General government	258,675	287,882	287,266	335,440	329,675	367,078	403,072	422,929	397,609	406,725
Public safety	371,574	415,765	479,640	530,246	761,759	659,327	578,157	622,042	706,237	718,883
Economic development	-	-	42,573	155,490	-	-	-	-	-	-
Other public works	205,211	208,153	231,178	242,803	276,191	374,668	346,587	360,679	348,426	288,664
Health and human services	-	-	1,981	1,193	838	1,003	1,888	1,892	1,304	1,001
Culture and recreation	21,045	27,620	35,118	54,941	46,971	47,210	31,898	68,124	82,536	44,814
Capital Outlay	754,002	679,544	342,994	459,761	1,873,328	1,269,245	4,425,101	363,145	196,063	427,577
Debt service										
Principal	560,000	245,000	300,000	265,000	190,000	135,000	250,000	100,000	230,000	280,000
Interest	148,590	99,838	90,435	81,259	72,689	131,869	125,738	120,969	101,908	94,063
Bond issuance costs	-	-	-	-	25,420	-	27,775	-	-	-
TOTAL EXPENDITURES	2,319,097	1,963,802	1,811,185	2,126,133	3,576,871	2,985,400	6,190,216	2,059,780	2,064,083	2,261,727
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(462,265)	(489,437)	(287,200)	(159,756)	(1,256,379)	181,010	(158,486)	62,012	(55,280)	(235,191)

CITY OF GOODVIEW, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - Continued
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
OTHER FINANCING SOURCES (USES)										
Proceeds from bonds	$ -	$ -	$ -	$ -	$ 1,600,000	$ -	$ -	$ -	$ -	$ -
Discount on bonds	-	-	-	-	(7,152)	-	-	-	-	-
Proceeds from capital leases	-	-	48,016	165,000	157,112	49,028	35,215	5,381	-	-
Refunding bonds issued	275,000	-	-	-	-	-	1,550,000	-	-	145,000
Premium on refunding bonds	-	-	-	-	-	-	30,244	-	-	-
Payment of refunded debt	(275,000)	-	-	-	-	-	-	(1,330,000)	-	-
Transfers in	950,000	-	-	124,174	-	273,092	76,711	-	-	430,767
Transfers out	-	-	-	-	-	(273,092)	(76,711)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	950,000	-	48,016	289,174	1,749,960	49,028	1,615,459	(1,324,619)	-	575,767
NET CHANGE IN FUND BALANCES	**$ 487,735**	**$ (489,437)**	**$ (239,184)**	**$ 129,418**	**$ 493,581**	**$ 230,038**	**$ 1,456,973**	**$ (1,262,607)**	**$ (55,280)**	**$ 340,576**
Debt service as a percentage of noncapital expenditures	45.3%	26.9%	26.6%	20.8%	15.4%	15.6%	21.3%	13.0%	17.8%	20.4%

CITY OF GOODVIEW, MINNESOTA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

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
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	191,822,900	0.9454
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
2007	173,829,100	27,258,500	19,371,500	518,200	9,635,500	211,341,800	44.994	222,738,400	0.9488
2008	165,231,800	28,939,100	20,309,900	392,800	10,449,800	204,423,800	45.025	235,732,600	0.8672
2009	199,503,300	28,817,900	21,446,100	421,500	10,533,600	239,655,200	46.194	252,404,800	0.9495
2010	206,375,800	28,950,100	21,470,200	419,800	11,402,300	245,813,600	45.829	261,781,300	0.9390
2011	203,758,100	30,913,200	20,750,400	416,400	11,081,600	244,756,500	45.829	258,153,300	0.9481
2012	210,271,900	32,953,900	20,208,500	508,900	11,328,600	252,614,600	47.766	234,282,500	1.0782

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
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
2007	39.694	5.300	44.994	16.103	44.860	0.531
2008	37.931	7.094	45.025	16.418	44.284	0.937
2009	38.093	8.101	46.194	17.473	44.980	0.469
2010	40.756	5.073	45.829	16.537	43.107	0.496
2011	37.842	7.987	45.829	17.202	43.211	0.465
2012	38.139	9.627	47.766	18.990	44.684	0.508

Source: Winona County Auditor

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.

Schedule 7

CITY OF GOODVIEW, MINNESOTA
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago

	2012			2003		
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	$ 7,581,200	1	3.24%	$ 6,983,900	1	4.55%
Benchmark of Winona	7,075,400	2	3.02%	6,771,900	2	4.42%
Xcel Energy	3,521,100	3	1.50%	2,933,400	4	1.91%
Polymer Composites	3,415,800	4	1.46%	3,272,400	3	2.13%
Hillview Apartments	2,822,800	5	1.20%			
Winona Lighting	2,747,200	6	1.17%	1,660,600	7	1.08%
Fastenal	2,578,200	7	1.10%	1,482,500	8	0.97%
Lake Village Associates	2,474,700	8	1.06%	1,911,200	5	1.25%
Hiatt Manufacturing	2,139,700	9	0.91%	1,663,000	6	1.08%
Mississippi Welders	1,992,700	10	0.85%			
Knitcraft				1,344,700	9	0.88%
Jacobson/Baker Apartments				1,180,400	10	0.77%
Total	**$ 36,348,800**		**15.51%**	**$ 29,204,000**		**19.04%**

Source: Winona County Auditor

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

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	$ 851,536	$ 846,149	99.4%	$ 5,387	$ 851,536	100.0%
2004	781,887	773,825	99.0%	8,062	781,887	100.0%
2005	854,119	831,587	97.4%	22,306	853,893	100.0%
2006	995,304	971,374	97.6%	23,930	995,304	100.0%
2007	1,227,817	1,188,841	96.8%	38,906	1,227,747	100.0%
2008	1,289,207	1,270,541	98.6%	18,158	1,288,699	100.0%
2009	1,356,025	1,327,800	97.9%	25,585	1,353,385	99.8%
2010	1,392,000	1,317,996	94.7%	19,857	1,337,853	96.1%
2011	1,381,725	1,302,569	94.3%	20,733	1,323,302	95.8%
2012	1,361,739	1,341,586	98.5%	-	1,341,586	98.5%

Source: City of Goodview Finance Department

CITY OF GOODVIEW, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities			
	General Obligation Tax Increment Bonds	Contract for Deed	Special Assessment Bonds	Capital Leases	Total Governmental Activities Debt	General Obligation Water Bonds	Total Primary Government	Percentage of Personal Income	Per Capita [a]
2003	$ 270,000	$ -	$ 2,335,000	$ 44,955	$ 2,649,955	$ -	$ 2,649,955	3.08%	$ 786
2004	150,000	-	2,210,000	32,953	2,392,953	-	2,392,953	2.77%	709
2005	105,000	-	1,955,000	59,225	2,119,225	-	2,119,225	2.39%	628
2006	55,000	-	1,740,000	199,268	1,994,268	-	1,994,268	2.08%	591
2007	-	-	3,205,000	318,205	3,523,205	-	3,523,205	3.17%	1,045
2008	-	-	3,070,000	319,345	3,389,345	2,071,937	5,461,282	4.69%	1,619
2009	-	-	4,370,000	309,389	4,679,389	3,916,158	8,595,547	7.42%	2,548
2010	-	-	2,940,000	263,445	3,203,445	3,926,817	7,130,262	5.14%	1,767
2011	-	-	2,710,000	209,377	2,919,377	3,825,932	6,745,309	4.77%	1,671
2012	-	145,000	2,430,000	162,772	2,737,772	3,644,932	6,382,704	Not available	1,581

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.

Source: City of Goodview Finance Department

CITY OF GOODVIEW, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Special Assessment Bonds	General Obligation Water Bonds	Total	Less: Available In Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property [a]	Per Capita [b]
2003	$ 270,000	$ 2,335,000	$ -	$ 2,605,000	$ 103,458	$ 2,501,542	1.58%	$ 742
2004	150,000	2,210,000	-	2,360,000	174,699	2,185,301	1.20%	648
2005	105,000	1,955,000	-	2,060,000	232,372	1,827,628	0.95%	542
2006	55,000	1,740,000	-	1,795,000	347,250	1,447,750	0.70%	429
2007	-	3,205,000	-	3,205,000	367,378	2,837,622	1.27%	841
2008	-	3,070,000	2,071,937	5,141,937	818,032	4,323,905	1.83%	1,282
2009	-	4,370,000	3,916,158	8,286,158	2,116,674	6,169,484	2.44%	1,829
2010	-	2,940,000	3,926,817	6,866,817	863,363	6,003,454	2.29%	1,487
2011	-	2,710,000	3,825,932	6,535,932	909,300	5,626,632	2.18%	1,394
2012	-	2,430,000	3,644,932	6,074,932	963,458	5,111,474	1.98%	1,266

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

Source: City of Goodview Finance Department

CITY OF GOODVIEW, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
School District #861	$ 19,147,903	10.39%	$ 1,989,467
County of Winona	6,965,425	7.39%	514,745
Subtotal, overlapping debt			2,504,212
City of Goodview direct debt			2,737,772
Total direct and overlapping debt			**$ 5,241,984**

Sources: Assessed value data used to estimate applicable percentages provided by the Winona County Auditor. 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 the City 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] 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

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	$234,282,500
Debt limit (3% of assessed value)	7,028,475
Debt applicable to limit:	
General obligation bonds & notes	6,219,932
Less: Special Assessment Bonds & Contract for Deed	(2,575,000)
Total net debt applicable to limit	3,644,932
Legal debt margin	**$ 3,383,543**

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Debt limit	$ 3,173,132	$ 3,655,164	$ 3,836,458	$ 4,117,406	$ 4,497,860	$ 7,071,978	$ 7,572,144	$ 7,853,439	$ 7,744,599	$ 7,028,475
Total net debt applicable to limit	-	-	-	-	-	2,071,937	3,916,158	3,926,817	3,825,932	3,644,932
Legal debt margin	**$ 3,173,132**	**$ 3,655,164**	**$ 3,836,458**	**$ 4,117,406**	**$ 4,497,860**	**$ 5,000,041**	**$ 3,655,986**	**$ 3,926,622**	**$ 3,918,667**	**$ 3,383,543**
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	29%	52%	50%	49%	52%

Note: Under Minnesota State law, the City of Goodview's net debt cannot exceed 3 percent of the estimated market value of property (2 percent prior to January 1, 2008).

CITY OF GOODVIEW, MINNESOTA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds[a]				Tax Increment Bonds				General Obligation Water Revenue Bonds					
	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage	Collections	Debt Service Principal	Debt Service Interest	Coverage	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	$ 185,883	$ 450,000	$ 126,142	0.32	$ 65,563	$ 110,000	$ 22,448	0.50	$ -	$ -	$ -	$ -	$ -	-
2004	153,161	125,000	85,669	0.73	32,507	120,000	14,169	0.24	-	-	-	-	-	-
2005	180,580	255,000	82,067	0.54	33,943	45,000	8,368	0.64	-	-	-	-	-	-
2006	136,790	215,000	75,991	0.47	32,303	50,000	5,268	0.58	-	-	-	-	-	-
2007	292,002	135,000	70,873	1.42	-	55,000	1,815	-	-	-	-	-	-	-
2008	252,650	135,000	131,791	0.95	-	-	-	-	420,417	255,991	164,426	- [b]	- [b]	-
2009	243,924	250,000	125,668	0.65	-	-	-	-	497,914	307,701	190,213	102,500	56,403	1.20
2010	144,828	100,000	120,909	0.66	-	-	-	-	596,561	295,539	301,022	172,000	104,047	1.09
2011	153,742	230,000	101,848	0.46	-	-	-	-	659,621	280,399	379,222	177,069	103,279	1.35
2012	170,364	280,000	93,973	0.46	-	-	-	-	717,654	306,400	411,254	181,000	100,507	1.46

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Water charges and other includes investment earnings. Operating expenses do not include interest or depreciation.

[a] Special Assessment Bonds are not fully covered with pledged assessment revenue. The amount of principal and interest that is pledged with special assessment revenue ranges from 19% to 63%.

[b] No principal or interest payments were scheduled this period in which the debt was issued.

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 [c]	School Enrollment	Unemployment Rate [b]
2003	3,373	$ 85,971,024	$ 25,488	36.2	194	4.7%
2004	3,373	86,291,459	25,583	36.2	199	4.4%
2005	3,373	88,645,813	26,281	36.2	194	3.6%
2006	3,373	96,056,294	28,478	36.2	208	3.7%
2007	3,373	111,187,572	32,964	36.2	194	4.2%
2008	3,373	116,365,127	34,499	32.8	178	5.5%
2009	3,373	115,784,971	34,327	28.8	172	7.5%
2010	4,036	138,636,600	34,350	26.7	184	7.0%
2011	4,036	141,457,764	35,049	26.7	195	5.5%
2012	4,036	Not available	Not available	Not Available	190	4.7%

Sources:
- [a] US Bureau of Economic Analysis (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 Dept. of Employment & Economic
- [c] City-Data.com (by County)
- [d] This estimated personal income is calculated by taking 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
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

		2012			2003		
EMPLOYER	**TYPE OF BUSINESS/PRODUCT**	**EMPLOYEES** [b]	**RANK**	**PERCENTAGE OF TOTAL CITY EMPLOYMENT** [a]	**EMPLOYEES**	**RANK**	**PERCENTAGE OF TOTAL CITY EMPLOYMENT**
Benchmark Electronics, Inc.	Electronics manufacturer	725	1	2.95%	**	**	**
Fastenal Company	Office and tool repair	360	2	1.46%	**	**	**
Winona Lighting, Inc.	Lighting specialists	220	3	0.90%	**	**	**
Mississippi Welder's Supply Co.	Welding services and supplies	134	4	0.55%	**	**	**
Knitcraft Corporation	Garment manufacturer	125	5	0.51%	**	**	**
Ticona Celstran, Inc.	Thermoplastic manufacturer	75	6	0.31%	**	**	**
Wincraft, Inc.	Novelty manufacturer	67	8	0.27%	**	**	**
I.S.D. No. 861 (Winona)	Elementary education	64	7	0.26%	**	**	**
DCM Tech, Inc.	Machinery design and manufacturing	31	9	0.13%	**	**	**
Hiatt Manufacturing	Wire foam and metal fabrication	21	10	0.09%	**	**	**
Total		**1,822**		**7.43%**			

** Information not available

[a] Includes full-time, part-time and seasonal for the Winona County area.

[b] This figure includes the number of employees working within the City of Goodview only.

Sources: Information from each business human resources department.

Schedule 16

CITY OF GOODVIEW, MINNESOTA
CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Legislative	5	5	5	5	5	5	5	5	5	5
Administration	4	4	4	4	4	4	4	4	4	4
Public safety										
Police										
Full-time	4	4	4	4	4	4	4	4	4	4
Part-time	6	6	6	6	6	12	14	10	13	14
Administrative assistant	1	1	1	1	1	1	1	1	1	1
Public works										
Streets	4	4	4	4	5	5	5	5	5	5
Culture, recreation, and education										
Park rec (seasonal)	9	12	13	12	13	10	9	10	8	9
Water	8	8	8	8	9	9	9	9	9	9
Wastewater	8	8	8	8	9	9	9	9	9	9

** Information not available

Sources: Various City departments

CITY OF GOODVIEW, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	71	71	71	71	51	51	132	244	214	214
Police										
Physical arrests	202	150	128	140	122	109	160	140	99	92
Parking violations	34	82	136	66	128	84	43	60	68	27
Traffic violations	630	720	549	591	518	474	403	504	475	408
Fire										
Emergency responses	20	23	18	15	14	12	27	19	19	27
Fires extinguished	6	13	8	9	4	7	6	8	11	8
Inspections	2	2	2	2	2	2	2	2	2	2
Volunteers	27	30	29	29	29	29	32	31	31	28
First responder										
Runs	76	90	109	88	94	134	160	146	179	171
Patients	84	103	96	79	93	134	160	140	169	179
Volunteers	8	12	17	19	21	41	22	23	22	24
Water										
Customers	967	986	1,009	1,116	1,128	1,169	1,244	1,260	1,268	1,272
Water main breaks	0	0	0	0	0	0	0	0	0	0
Average daily consumption (thousands of gallons)	369,350	313,001	335,975	337,248	330,850	328,330	335,136	296,931	302,830	298,462
Peak daily consumption (thousands of gallons)	561,039	374,232	545,077	509,639	486,765	447,813	565,754	343,388	367,386	415,695
Wastewater										
Customers	1,036	1,054	1,075	1,099	1,109	1,153	1,229	1,244	1,252	1,256
Average daily sewage treatment (thousands of gallons)	282,379	280,872	265,970	259,658	307,195	305,766	296,380	301,789	273,282	249,404

** 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	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
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	6	9	9	12	13	13	14	10	13	14
Patrol units	5	5	5	5	5	5	5	7	6	6
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Volunteers	27	30	29	29	29	29	32	31	31	28
Other public works										
Streets (miles)										
Paved	16.8	16.8	16.8	17	17	17	19	19	19	19
Unpaved	1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Streetlights	181	173	174	176	189	189	189	189	196	196
Recreation and culture										
Acreage	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Parks/playgrounds	5	5	5	5	5	5	5	5	5	5
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer/football fields	3	3	3	3	3	3	3	3	3	3
Basketball courts	2	2	2	2	2	2	2	2	2	2
Tennis courts	2	2	2	2	2	2	2	2	2	2
Biking/walking trail (2 miles)	0	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	18.8	19.2	19.2	19.4	20.4	20.4	24.6	24.6	24.6	24.6
Fire hydrants	140	158	162	167	179	179	179	179	179	179
Storage capacity (millions of	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Wastewater										
Sanitary sewers (miles)	15.9	16.7	16.7	16.9	18.1	18.1	21.9	21.9	21.9	21.9
Storm sewers (miles)	6.7	6.7	6.7	6.7	6.7	6.8	6.8	7.5	7.6	7.6

Sources: Various City departments

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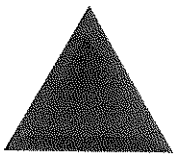
CITY OF GOODVIEW, MINNESOTA

OTHER REPORTS

DECEMBER 31, 2012



RUSSELL & ASSOCIATES LLC
Certified Public Accountants

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 basic financial statements of the City of Goodview, Minnesota ("City"), as of and for the year ended December 31, 2012, and have issued our report thereon dated May 30, 2013. 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

Management of the City of Goodview is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Goodview'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 effectiveness of the City of Goodview's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Goodview's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following to be significant deficiencies:

Segregation of Duties and Management Override

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 personnel (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.

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

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories except tax increment financing as the City did not have any tax increment financing.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions, except as described below.

Volunteer Fire Department Checking Account

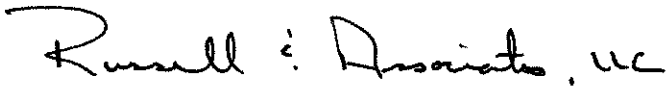
It was discovered that the Volunteer Fire Department maintains a checking account that is not under the direct control of the City. The account does not have the appropriate City officials as signers on the account nor are the expenditures approved by the governing body. The account was closed in July 2012.

We noted certain other matters that we reported to management of the City of Goodview, Minnesota, in a separate letter dated May 30, 2013.

The City's response to the findings identified in our audit is described above. We did not audit the City's response and, accordingly, we express no opinion on it.

Restriction on Use

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



Winona, Minnesota
May 30, 2013