

REPORT

ON

AUDIT

CITY OF WINDOM

COTTONWOOD COUNTY, MINNESOTA

DECEMBER 31, 2007

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DENNIS L. RICK, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants

DENNIS L. RICK, CPA
TISHA S. PAPLOW, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Windom, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Windom, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above do not include the financial data of the Windom Area Hospital Fund, which should be included to conform with accounting principles generally accepted in the United States of America. The financial statements of the Windom Area Hospital Fund were audited by other auditors whose report dated July 10, 2007, expressed an unqualified opinion on those statements. If the omitted fund had been included, based on audited information, the proprietary fund type assets would have increased by \$16,235,006 and liabilities would have increased by \$3,705,711 respectively as of December 31, 2007, and revenues and expenses would have increased \$12,356,680 and \$11,106,214 respectively for the twelve month period ended December 31, 2007.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Denno L. Riek, LTD.

Worthington, Minnesota
June 4, 2008

CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

This section of the City of Windom, Minnesota's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2007. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June, 1999.

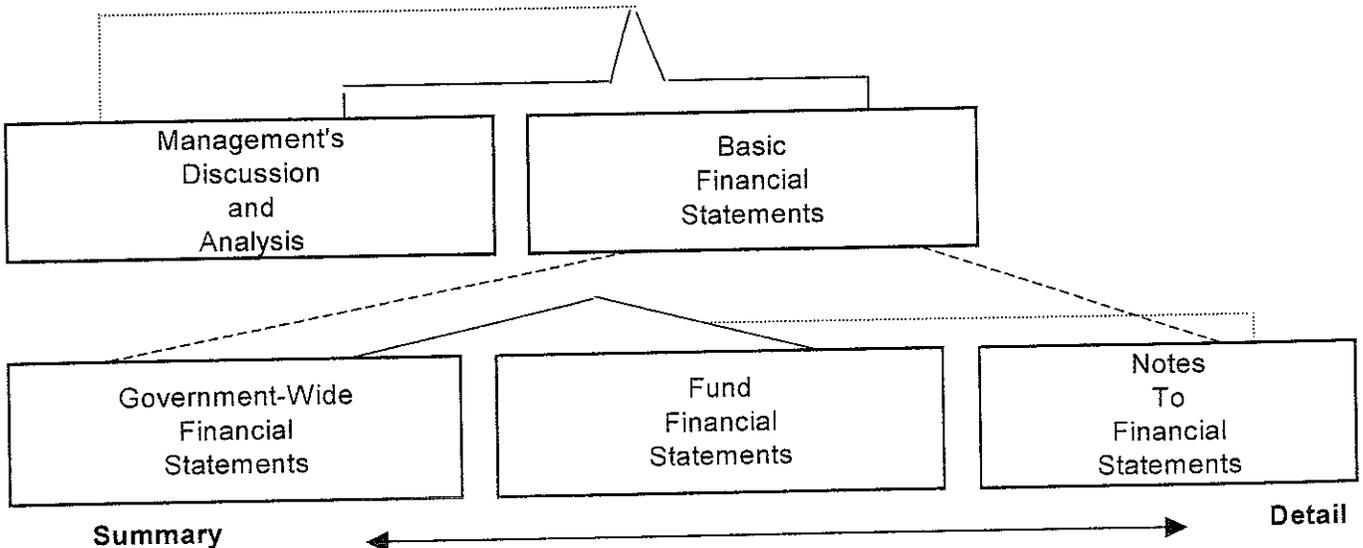
FINANCIAL AND OTHER HIGHLIGHTS

Key financial highlights for the 2007 year include the following:

- The assets of the City exceeded its liabilities at the close of the most recent year by \$19,200,244 (net assets).
- The City's total net assets from operations increased by \$741,888.
- As of the close of the current year, the City's governmental funds reported combined ending net assets of \$9,445,666. Of this total amount, fifty-six (56) percent or \$5,295,994 is available for use within the City's designations and policies.
- At the end of the current year, designated fund balance for the general fund was \$799,102 or thirty-nine (39) percent of total general fund expenditures.
- The City's net total bonded debt increased by \$2,764,679 during the current fiscal year.
- A portion of the EDA's debt has been paid off due to the sale and development of the River Bend site and the sale and development of a lot in the Industrial Park.
- The 2007 Street Project was completed during the current fiscal year.
- The enterprise funds have shown improvement during the current fiscal year. The City is participating in the Municipal Electric Big Stone II and CAPX projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other statistical information in addition to the basic financial statements themselves. The diagram below depicts how the various parts of this annual report are arranged and related to one another.



CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

The diagram shown below summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis highlights the structure and contents of each statement.

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City	The activities of the City that are not proprietary, such as public safety, public works and recreation	Activities the City operates similar to private businesses: utilities, liquor store
Required Financial Statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenue, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. There are two government-wide statements:

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

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, culture and recreation, economic development and airport. The business-type activities of the City include the Municipal Liquor Store, Water, Electric, Sewer, Telecom, Arena, Multipurpose Center, and River Bluff Townhomes.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds--focusing on its most significant or "major" funds--rather than the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The City has two kinds of funds:

- **Governmental Funds** - The City's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds Balance Sheets and Statements of Revenues and Expenditures and Changes in Fund Balance that explain the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary Funds** - Services for which the City charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as government-wide statements, only in more detail. The City maintains one type of proprietary fund. Enterprise funds 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 Municipal Liquor Store, Water, Electric, Sewer, Telecom, Arena, Multipurpose Center, and River Bluff Townhomes funds.

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.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Windom, Minnesota, assets exceeded liabilities by \$19,200,244 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

A summary of the City's net assets as of December 31, 2007, is as follows:

NET ASSETS - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,291,318	\$ 4,986,220	\$ 11,277,538
Capital Assets	<u>8,854,879</u>	<u>25,525,816</u>	<u>34,380,695</u>
Total Assets	<u>15,146,197</u>	<u>30,512,036</u>	<u>45,658,233</u>
Current Liabilities	372,843	1,608,473	1,981,316
Non-Current Liabilities	<u>5,327,688</u>	<u>19,148,985</u>	<u>24,476,673</u>
Total Liabilities	<u>5,700,531</u>	<u>20,757,458</u>	<u>26,457,989</u>
Investment in Capital Assets, Net of Related Debt	3,282,280	10,522,012	13,804,292
Restricted	867,392	241,332	1,108,724
Unrestricted	<u>5,295,994</u>	<u>(1,008,766)</u>	<u>4,287,228</u>
Total Net Assets - December 31, 2007	<u>\$ 9,445,666</u>	<u>\$ 9,754,578</u>	<u>\$ 19,200,244</u>

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance is comprised of unrestricted net assets totaling \$4,287,228. The City is able to report overall positive balances in all three categories of net assets.

A summary of the City's net assets as of December 31, 2006, is as follows:

NET ASSETS - 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 5,660,351	\$ 3,202,158	\$ 8,862,509
Capital Assets	<u>7,801,964</u>	<u>26,694,082</u>	<u>34,496,046</u>
Total Assets	<u>13,462,315</u>	<u>29,896,240</u>	<u>43,358,555</u>
Current Liabilities	680,832	2,670,255	3,351,087
Non-Current Liabilities	<u>3,932,845</u>	<u>16,797,905</u>	<u>20,730,750</u>
Total Liabilities	<u>4,613,677</u>	<u>19,468,160</u>	<u>24,081,837</u>
Investment in Capital Assets, Net of Related Debt	3,302,150	10,334,659	13,636,809
Restricted	724,328	241,332	965,660
Unrestricted	<u>4,822,160</u>	<u>(147,911)</u>	<u>4,674,249</u>
Total Net Assets - December 31, 2006	<u>\$ 8,848,638</u>	<u>\$ 10,428,080</u>	<u>\$ 19,276,718</u>

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (CONT'D)

Change in Net Assets

Governmental Activities

Governmental activities increased the City's net assets by \$946,195, thereby accounting for 11 percent of the total growth in the net assets of the City. The most significant change in governmental net assets is state aid/grants and revenues surpassing expenses for the current year.

Business-Type Activities

Business-type activities decreased the City's net assets by \$204,307. The telecom fund accounted for the majority of the overall decrease in net assets in the proprietary funds. The largest portion of the net asset decrease in the enterprise funds results from liabilities exceeding assets by \$3,887,395 and expenses exceeding revenues by \$1,019,319 in the telecom fund.

A summary of the City's change in net assets for the year ended December 31, 2007, is as follows:

CHANGE IN NET ASSETS - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 560,455	\$ 10,883,028	\$ 11,443,483
Capital Grants and Contributions	90,694	- - -	90,694
General Revenues			
Property Taxes	1,421,628	376,457	1,798,085
Unallocated Federal and State Aid	1,551,060	- - -	1,551,060
Other	927,828	118,302	1,046,130
Total Revenues	<u>4,551,665</u>	<u>11,377,787</u>	<u>15,929,452</u>
Expenses			
General Government	417,787	- - -	417,787
Public Safety	1,314,488	- - -	1,314,488
Public Works	767,454	- - -	767,454
Health & Welfare	125,323	- - -	125,323
Culture & Recreation	584,879	- - -	584,879
Conservation & Economic Development	240,868	- - -	240,868
Airport	162,794	- - -	162,794
Interest on Long-Term Debt	472,111	- - -	472,111
Liquor	- - -	1,229,446	1,229,446
Water	- - -	878,466	878,466
Electric	- - -	4,957,278	4,957,278
Sewer	- - -	937,285	937,285
Telecom	- - -	2,579,875	2,579,875
Arena	- - -	325,454	325,454
Multipurpose	- - -	297,809	297,809
River Bluff Townhomes	- - -	104,508	104,508
Total Expenses	<u>4,085,704</u>	<u>11,310,121</u>	<u>15,395,825</u>
Increase (Decrease) in			
Net Assets before Transfers	465,961	67,666	533,627
Transfers	480,234	(271,973)	208,261
Change in Net Assets	946,195	(204,307)	741,888
Net Assets - Beginning	8,848,638	10,428,080	19,276,718
Prior Period Adjustment	(349,167)	(469,195)	(818,362)
Net Assets - Ending - December 31, 2007	9,445,666	9,754,578	19,200,244

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

A summary of the City's change in net assets for the year ended December 31, 2006, is as follows:

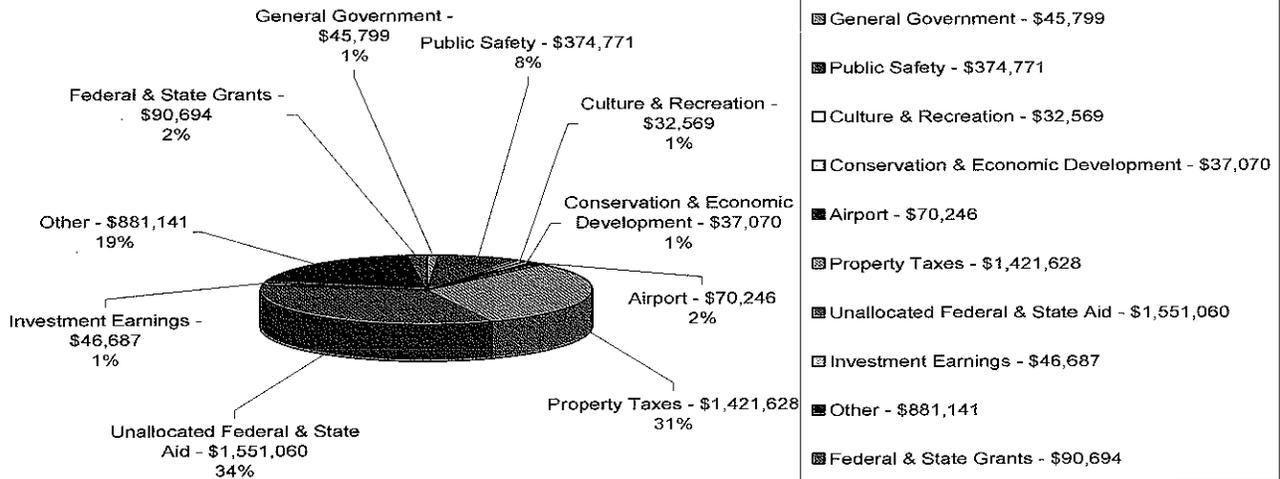
CHANGE IN NET ASSETS - 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 475,290	\$ 9,909,311	\$ 10,384,601
Capital Grants and Contributions	258,878	- - -	258,878
General Revenues			
Property Taxes	702,473	347,107	1,049,580
Unallocated Federal and State Aid	1,714,756	- - -	1,714,756
Other	667,299	25,427	692,726
Total Revenues	<u>3,818,696</u>	<u>10,281,845</u>	<u>14,100,541</u>
Expenses			
General Government	449,215	- - -	449,215
Public Safety	1,222,170	- - -	1,222,170
Public Works	717,772	- - -	717,772
Health & Welfare	112,206	- - -	112,206
Culture & Recreation	532,468	- - -	532,468
Conservation & Economic Development	229,150	- - -	229,150
Airport	122,965	- - -	122,965
Interest on Long-Term Debt	427,291	- - -	427,291
Liquor	- - -	1,179,519	1,179,519
Water	- - -	939,976	939,976
Electric	- - -	4,680,124	4,680,124
Sewer	- - -	997,274	997,274
Telecom	- - -	2,421,290	2,421,290
Arena	- - -	359,615	359,615
Multipurpose	- - -	268,907	268,907
River Bluff Townhomes	- - -	102,266	102,266
Total Expenses	<u>3,813,237</u>	<u>10,948,971</u>	<u>14,762,208</u>
Increase (Decrease) in			
Net Assets before Transfers	5,459	(667,126)	(661,667)
Transfers	525,274	(320,000)	205,274
Change in Net Assets	530,733	(987,126)	(456,393)
Net Assets - Beginning	8,317,905	11,415,206	19,733,111
Net Assets - Ending - December 31, 2006	8,848,638	10,428,080	19,276,718

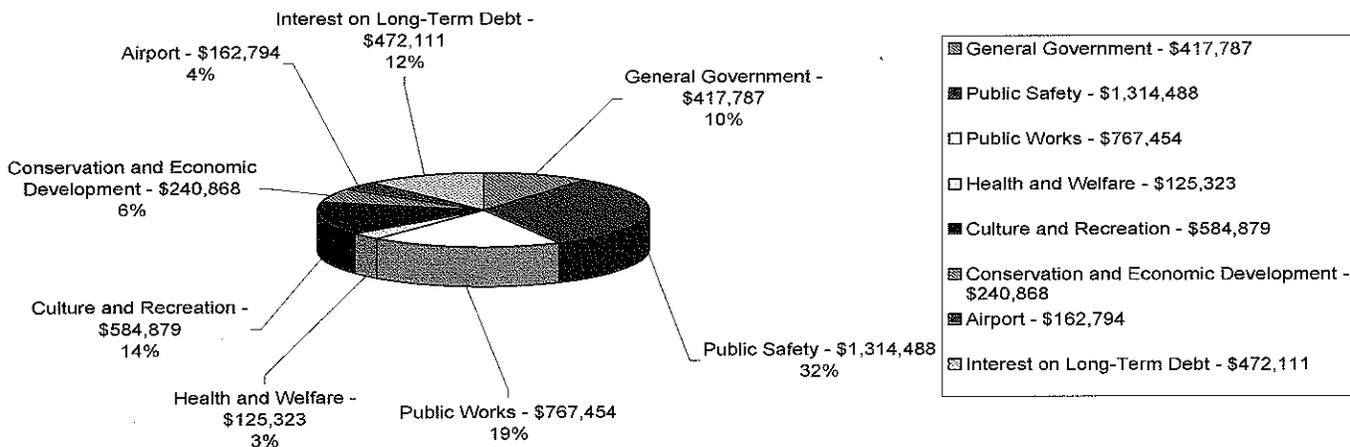
CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

GOVERNMENTAL ACTIVITIES - REVENUES
 Total: \$4,551,665



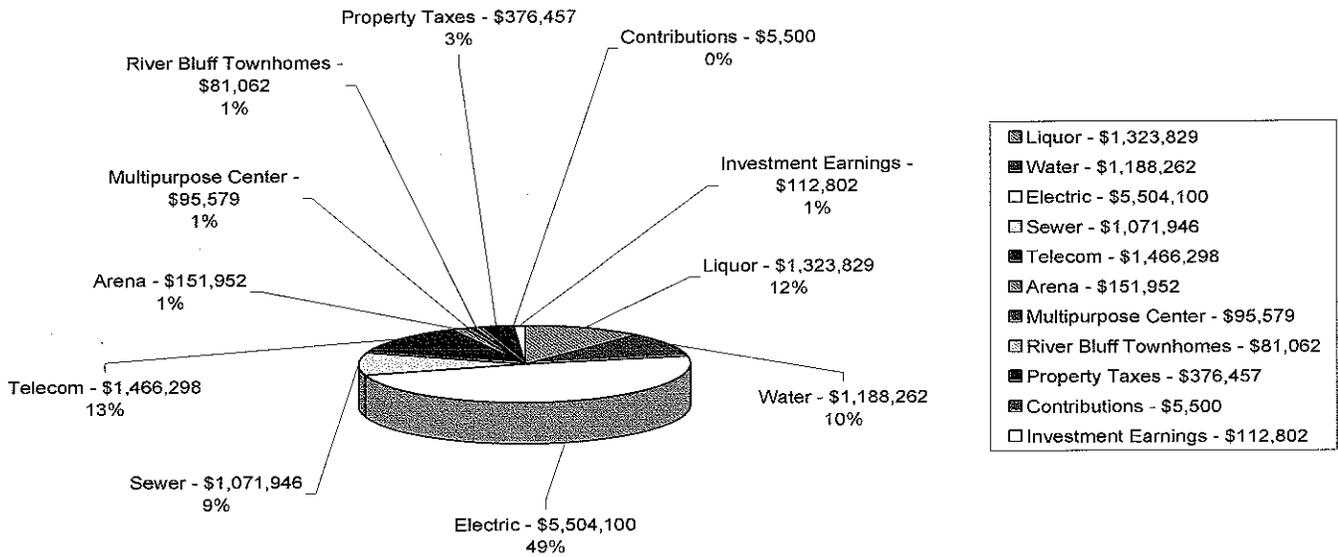
GOVERNMENTAL ACTIVITIES - EXPENSES
 Total: \$4,085,704



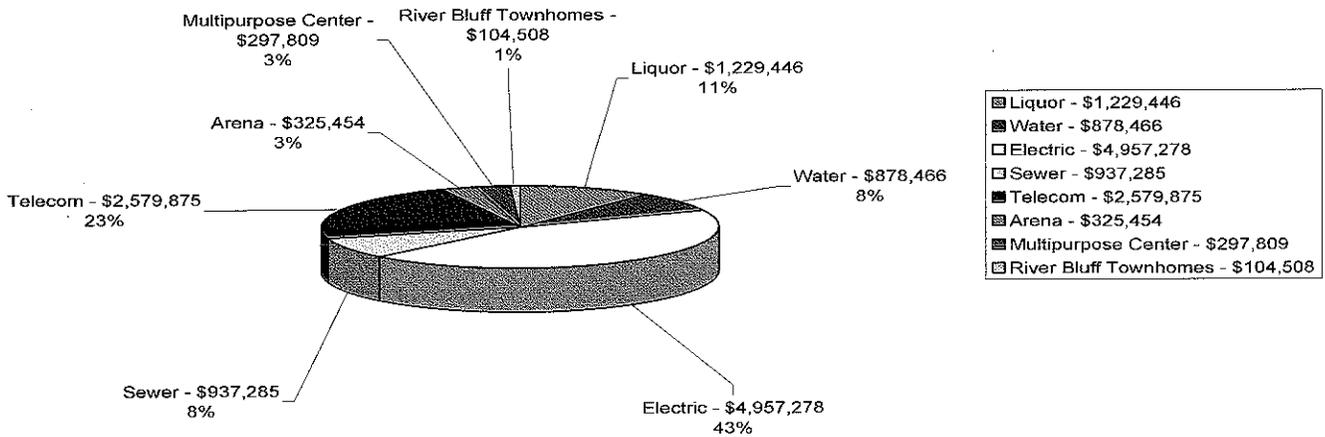
CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

BUSINESS TYPE ACTIVITIES - REVENUES
 Total: \$11,377,787



BUSINESS-TYPE ACTIVITIES - EXPENSES
 Total: \$11,310,121



CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (FUND FINANCIAL STATEMENTS)

As noted earlier, the City 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 spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,911,573, an increase of \$675,328 in comparison with the prior year. Of this total, \$2,245,079 of the fund balances are unreserved, which indicates that those funds are available for spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the general fund was \$799,102, which was designated for working capital needs.

The fund balance of the City's general fund increased by \$241,526 during the current fiscal year. This year's increase was due to the favorable budget variances.

Business-Type Funds

The City's business-type ("proprietary") funds provide the same type of information found in the government-wide financial statements, but in more detail. The focus of the City's business-type funds is providing goods and services.

As of the end of the current fiscal year, the City's business-type funds reported combined ending net assets of \$9,754,578, a decrease of \$673,502 in comparison with the prior year. Of this total, a deficit balance of \$1,008,766 of the net assets is unreserved and unrestricted, which indicates that portion of net assets that are not available for spending.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved the original 2007 general fund budget in December of 2006, anticipating an decrease in general fund reserves of \$49,500.

The actual results for the year showed an increase of \$241,526.

- Actual revenues were \$126,277, or 6.7 percent, more than budget, due primarily to increased intergovernmental revenues.
- Actual expenditures were \$164,749, or 7.5 percent, less than budget. This overall favorable variance was a combination of positive variances in general governmental, public safety, public works, and culture and recreation expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$34,380,695 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$2,247,493 or 6.5 percent. Most of the increase in both the governmental and business-type activities is attributable to governmental construction in progress.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Cont'd)

Both the City's governmental and business-type activities have a significant level of outstanding commitments for capital expenditures. These commitments are detailed in the notes to the financial statements.

CAPITAL ASSETS - NET OF DEPRECIATION - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 227,061	\$ 154,922	\$ 381,983
Buildings and Improvements	2,320,535	10,451,218	12,771,753
Machinery and Equipment	2,420,328	1,060,702	3,481,030
Construction in Progress	1,356,745	-	1,356,745
Other	2,530,210	13,858,974	16,389,184
Total - December 31, 2007	<u>\$ 8,854,879</u>	<u>\$ 25,525,816</u>	<u>\$ 34,380,695</u>

CAPITAL ASSETS - NET OF DEPRECIATION - 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 227,061	\$ 154,922	\$ 381,983
Buildings and Improvements	2,345,795	10,865,809	13,211,604
Machinery and Equipment	2,653,437	1,119,165	3,772,602
Construction in Progress	209,097	328,285	537,382
Other	2,366,574	14,225,901	16,592,475
Total - December 31, 2006	<u>\$ 7,801,964</u>	<u>\$ 26,694,082</u>	<u>\$ 34,496,046</u>

Bonded Debt

At year-end, the City had \$22,332,886 in outstanding bonded debt. Detailed information about the City's bonded debt and other long-term liabilities is presented in the notes to the financial statements.

OUTSTANDING BONDED DEBT - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonded Debt			
General Obligation Bonds	\$ 4,364,124	\$ 3,522,000	\$ 7,886,124
General Obligation Revenue Bonds	-	4,976,762	4,976,762
Revenue Bonds	-	9,470,000	9,470,000
Total 2007	<u>\$ 4,364,124</u>	<u>\$ 17,968,762</u>	<u>\$ 22,332,886</u>

OUTSTANDING BONDED DEBT - 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonded Debt			
General Obligation Bonds	\$ 3,207,524	\$ 1,239,000	\$ 4,446,524
General Obligation Revenue Bonds	-	5,416,683	5,416,683
Revenue Bonds	-	9,705,000	9,705,000
Total 2006	<u>\$ 3,207,524</u>	<u>\$ 16,360,683</u>	<u>\$ 19,568,207</u>

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FACTORS BEARING ON THE CITY'S FUTURE

- The City's investment earnings have been reduced significantly over the past few years due to the dramatically lower interest rates and reductions in invested funds.
- Property tax reforms and budget deficits at the state level have significantly impacted government aid payments made to the City. The City's state aid was reduced for 2003 and beyond by approximately \$185,000 per year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the City Administrator, City of Windom, 444 9th Street, P. O. Box 38, Windom, MN 56101 or call (507) 831-6129.

CITY OF WINDOM, MINNESOTASTATEMENT OF NET ASSETSDECEMBER 31, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 2,801,550	\$ 2,837,542	\$ 5,639,092
Restricted cash	-	241,332	241,332
Accounts receivable	134,734	849,348	984,082
Current taxes receivable	24,808	-	24,808
Special assessments receivable:			
Current and deferred	1,441,806	-	1,441,806
Delinquent	7,808	-	7,808
Loans receivable	523,873	-	523,873
Inventories	-	804,849	804,849
Property held for resale	1,356,739	-	1,356,739
Bond issue costs, net of accumulated amortization	-	73,867	73,867
Bond discount costs, net of accumulated amortization	-	179,282	179,282
Property, plant, equipment	12,749,311	41,483,870	54,233,181
Less: accumulated depreciation	<u>3,894,432</u>	<u>15,958,054</u>	<u>19,852,486</u>
Total assets and other debits	<u>\$ 15,146,197</u>	<u>\$ 30,512,036</u>	<u>\$ 45,658,233</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	\$ 127,532	\$ 502,666	\$ 630,198
Interest payable	-	348,203	348,203
Customer deposits	400	61,533	61,933
Deferred revenues, other	-	131,661	131,661
Non-current liabilities:			
Due within one year	244,911	564,410	809,321
Due in more than one year	<u>5,327,688</u>	<u>19,148,985</u>	<u>24,476,673</u>
Total liabilities	<u>5,700,531</u>	<u>20,757,458</u>	<u>26,457,989</u>
<u>NET ASSETS</u>			
Net Assets:			
Invested in capital assets, net of related debt	3,282,280	10,522,012	13,804,292
Restricted for:			
Capital Projects	7,144	-	7,144
Debt service	860,248	241,332	1,101,580
Unrestricted	<u>5,295,994</u>	<u>(1,008,766)</u>	<u>4,287,228</u>
Total net assets	<u>\$ 9,445,666</u>	<u>\$ 9,754,578</u>	<u>\$ 19,200,244</u>

The accompanying notes are an integral part of the financial statements

CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Government Activities:			
General government	\$ 417,787	\$ 45,799	\$ -
Public safety	1,314,488	374,771	-
Public works	767,454	-	-
Health and welfare	125,323	-	-
Culture and recreation	584,879	32,569	-
Conservation and economic development	240,868	37,070	-
Airport	162,794	70,246	-
Interest on long-term debt	472,111	-	-
Total government activities	<u>4,085,704</u>	<u>560,455</u>	<u>-</u>
Business-Type Activities:			
Municipal liquor	1,229,446	1,323,829	-
Water	878,466	1,188,262	-
Electric	4,957,278	5,504,100	-
Sewer	937,285	1,071,946	-
Telecom	2,579,875	1,466,298	-
Arena	325,454	151,952	-
Multi-Purpose Center	297,809	95,579	-
River Bluff Townhomes	104,508	81,062	-
Total business-type activities	<u>11,310,121</u>	<u>10,883,028</u>	<u>-</u>
Total government	<u>\$ 15,395,825</u>	<u>\$ 11,443,483</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes - general and debt service

Grants and contributions not restricted

to specific programs:

Unallocated federal and state aid

Contributions

Unrestricted investment earnings

Other

Transfers

Total general revenues, and transfers

Change in net assets

Net assets, January 1, 2007

Prior period adjustment

Net assets, December 31, 2007

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Government Activities	Business-type Activities	Total
\$ -	\$ (371,988)	\$ -	\$ (371,988)
25,325	(914,392)	-	(914,392)
-	(767,454)	-	(767,454)
-	(125,323)	-	(125,323)
-	(552,310)	-	(552,310)
-	(203,798)	-	(203,798)
65,369	(27,179)	-	(27,179)
-	(472,111)	-	(472,111)
<u>90,694</u>	<u>(3,434,555)</u>	<u>-</u>	<u>(3,434,555)</u>
-	-	94,383	94,383
-	-	309,796	309,796
-	-	546,822	546,822
-	-	134,661	134,661
-	-	(1,113,577)	(1,113,577)
-	-	(173,502)	(173,502)
-	-	(202,230)	(202,230)
-	-	(23,446)	(23,446)
<u>-</u>	<u>-</u>	<u>(427,093)</u>	<u>(427,093)</u>
<u>\$ 90,694</u>	<u>(3,434,555)</u>	<u>(427,093)</u>	<u>(3,861,648)</u>
	\$ 1,421,628	\$ 376,457	\$ 1,798,085
	1,551,060	-	1,551,060
	-	5,500	5,500
	46,687	112,802	159,489
	881,141	-	881,141
	480,234	(271,973)	208,261
	<u>4,380,750</u>	<u>222,786</u>	<u>4,603,536</u>
	946,195	(204,307)	741,888
	8,848,638	10,428,080	19,276,718
	(349,167)	(469,195)	(818,362)
	<u>\$ 9,445,666</u>	<u>\$ 9,754,578</u>	<u>\$ 19,200,244</u>

The accompanying notes are an integral part of the financial statements

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	<u>General</u>	<u>2007 Street Improvement Bond Fund</u>	<u>Nonmajor Governmental Funds (Schedule 1)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash on hand, checking and and time deposits	\$ 822,915	\$ 77,822	\$ 1,900,813	\$ 2,801,550
Accounts receivable, net of allowances of \$2,877	7,119	-	127,615	134,734
Current taxes receivable	24,808	-	-	24,808
Special assessments receivable:				
Current and deferred	-	318,441	1,123,365	1,441,806
Delinquent	-	-	7,808	7,808
Loans receivable	-	-	523,873	523,873
Interfund loans receivable	-	-	77,022	77,022
Property held for resale, construction in progress	-	-	1,356,739	1,356,739
Total assets	<u>\$ 854,842</u>	<u>\$ 396,263</u>	<u>\$ 5,117,235</u>	<u>\$ 6,368,340</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 35,550	\$ -	\$ 91,982	\$ 127,532
Customer deposits	-	-	400	400
Deferred revenues, current taxes	20,190	-	-	20,190
Deferred revenues, special assessments	-	318,441	1,123,365	1,441,806
Interfund notes payable	-	-	77,022	77,022
Notes payable	-	-	789,817	789,817
Total liabilities	<u>55,740</u>	<u>318,441</u>	<u>2,082,586</u>	<u>2,456,767</u>
Fund Balances:				
Fund balance - unreserved, undesignated	-	-	2,245,079	2,245,079
Fund balance - designated	799,102	-	-	799,102
Fund balance - reserved	-	77,822	789,570	867,392
Total fund balances	<u>799,102</u>	<u>77,822</u>	<u>3,034,649</u>	<u>3,911,573</u>
Total liabilities and fund balances	<u>\$ 854,842</u>	<u>\$ 396,263</u>	<u>\$ 5,117,235</u>	<u>\$ 6,368,340</u>

The accompanying notes are an integral part of the financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

Total Fund Balances for Governmental Funds	\$	3,911,573
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:		
Land and construction in progress	\$	1,583,806
Other capital assets		11,165,505
Accumulated depreciation		<u>(3,894,432)</u>
		8,854,879
Assessments to be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred special assessments in the funds		1,461,996
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable		<u>(4,782,782)</u>
Total Net Assets of Governmental Activities	\$	<u><u>9,445,666</u></u>

The accompanying notes are an integral part of these statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCESGOVERNMENTAL FUNDSFOR THE YEAR ENDED DECEMBER 31, 2007

Revenues	General Fund	2007 Street Improvement Bond Fund	Nonmajor	Total
			Governmental Funds (Schedule 2)	Governmental Funds
Local property taxes	\$ 205,720	\$ -	\$ 540,901	\$ 746,621
Special assessments	-	76,195	234,768	310,963
Licenses and permits	72,308	-	-	72,308
Intergovernmental revenues	1,533,779	-	17,281	1,551,060
State grants	-	-	68,369	68,369
County grants	-	-	22,325	22,325
Charges for services and facilities	45,799	-	514,656	560,455
Fines and forfeits	24,853	-	1,944	26,797
Investment income	-	10,397	36,290	46,687
Other revenues	122,398	-	659,638	782,036
Total revenues	2,004,857	86,592	2,096,172	4,187,621
<u>Expenditures</u>				
Current:				
General government	351,366	-	-	351,366
Public safety	891,621	-	218,602	1,110,223
Public works	534,938	-	1,037	535,975
Health and welfare	19,662	-	-	19,662
Culture and recreation:				
Parks and general	235,744	-	-	235,744
Library	-	-	161,957	161,957
Swim pool	-	-	78,907	78,907
Conservation and development:				
Economic development & assistance	-	-	233,081	233,081
Airport	-	-	76,495	76,495
Capital outlay:				
Other	-	1,356,745	381,861	1,738,606
Debt service:				
Principal retirement	-	-	358,400	358,400
Interest and fiscal charges	-	32,025	440,086	472,111
Total expenditures	2,033,331	1,388,770	1,950,426	5,372,527
Excess of revenues over (under) expenditures	(28,474)	(1,302,178)	145,746	(1,184,906)
<u>Other Financing Sources (Uses)</u>				
Proceeds from debt issuance	-	1,380,000	-	1,380,000
Operating transfers in	270,000	-	340,737	610,737
Operating transfers out	-	-	(130,503)	(130,503)
Total other financing sources	270,000	1,380,000	210,234	1,860,234
Net change in fund balances	241,526	77,822	355,980	675,328
Fund balance, January 1, 2007	557,576	-	2,678,669	3,236,245
Fund balance, December 31, 2007	\$ 799,102	\$ 77,822	\$ 3,034,649	\$ 3,911,573

The accompanying notes are an integral part of the financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Total Net Change in Fund Balances - Governmental Funds	\$	675,328
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Change in accrual for deferred taxes - current	\$	8,390
Change in accrual for deferred taxes - special assessments		<u>355,654</u>
		364,044
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets		1,738,606
Less current year depreciation		<u>685,692</u>
		1,052,914
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, the repayment reduces long-term liabilities in the Statement of Net Assets. Other costs related to debt issuance and retirement use governmental fund resources, but recognizing them as expenses is deferred and amortized on the Statement of Net Assets.		
Proceeds from debt issuance		(1,380,000)
Payment of Hospital debt		(95,000)
Repayment of bonds		<u>358,400</u>
		(1,116,600)
Accruing vacation and sick pay increases long-term liabilities in the Statement of Net Assets. Payment of accrued vacation and sick pay reduces long-term liabilities in the Statement of Net Assets.		
Change in accrual for vacation and sick pay		<u>(29,491)</u>
Change in Net Assets of Governmental Activities	\$	<u>946,195</u>

The accompanying notes are an integral part of these statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Revenues</u>	<u>2007 Budgeted Amount</u>		<u>2007</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
Local property taxes	\$ 317,078	\$ 317,078	\$ 205,720	\$ (111,358)
Licenses and permits	46,600	46,600	72,308	25,708
Intergovernmental revenues	1,334,802	1,334,802	1,533,779	198,977
Charges for services and facilities	45,500	45,500	45,799	299
Fines and forfeits	26,500	26,500	24,853	(1,647)
Other revenues	108,100	108,100	122,398	14,298
Total revenues	<u>1,878,580</u>	<u>1,878,580</u>	<u>2,004,857</u>	<u>126,277</u>
 <u>Expenditures</u>				
Current:				
General government	437,100	437,100	351,366	(85,734)
Public safety	936,700	936,700	891,621	(45,079)
Public works	571,900	571,900	534,938	(36,962)
Health and welfare	16,000	16,000	19,662	3,662
Culture and recreation:				
Parks and general	236,380	236,380	235,744	(636)
Total expenditures	<u>2,198,080</u>	<u>2,198,080</u>	<u>2,033,331</u>	<u>(164,749)</u>
Excess of revenues over (under) expenditures	<u>(319,500)</u>	<u>(319,500)</u>	<u>(28,474)</u>	<u>291,026</u>
 <u>Other Financing Sources</u>				
Operating transfers in	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
Net change in fund balances	(49,500)	(49,500)	241,526	291,026
Fund balance, January 1, 2007	<u>557,576</u>	<u>557,576</u>	<u>557,576</u>	<u>-</u>
Fund balance, December 31, 2007	<u>\$ 508,076</u>	<u>\$ 508,076</u>	<u>\$ 799,102</u>	<u>\$ 291,026</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF NET ASSETSPROPRIETARY FUNDSDECEMBER 31, 2007

<u>ASSETS</u>	<u>Municipal</u>		
	<u>Liquor</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>
<u>Current assets</u>			
Cash and interest-bearing deposits	\$ 234,020	\$ 277,703	\$ 2,418,983
Restricted cash	-	-	-
Accounts and accrued interest receivable	7,023	163	823,045
Inventories	130,109	29,369	480,908
Total current assets	<u>371,152</u>	<u>307,235</u>	<u>3,722,936</u>
<u>Fixed</u>			
Property, plant, equipment	405,485	8,302,207	9,669,055
Less: accumulated depreciation	<u>225,072</u>	<u>3,406,539</u>	<u>5,497,756</u>
Net fixed assets	<u>180,413</u>	<u>4,895,668</u>	<u>4,171,299</u>
<u>Other</u>			
Bond issue costs, net of accumulated amortization	-	6,156	-
Bond discount costs, net of accumulated amortization	-	<u>14,648</u>	-
Total other assets	-	<u>20,804</u>	-
Total assets	\$ <u>551,565</u>	\$ <u>5,223,707</u>	\$ <u>7,894,235</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	29,558	6,151	374,586
Interest payable	-	42,307	-
Deferred revenues, and other	-	-	-
Customer deposits	-	-	50,843
Notes payable within one year	-	-	-
Special assessments payable within one year	-	12,000	-
Bond principal payable within one year	-	<u>288,000</u>	-
Total current liabilities	<u>29,558</u>	<u>348,458</u>	<u>425,429</u>
<u>Non-current liabilities and other credits</u>			
Accrued vacation and sick	105,457	73,326	138,126
Notes payable	-	-	-
Special Assessments Payable	-	168,750	-
G.O. revenue bonds principal payable beyond one year (net of amortized discounts)	-	<u>3,330,632</u>	-
Total non-current liabilities	<u>105,457</u>	<u>3,572,708</u>	<u>138,126</u>
Total liabilities	<u>135,015</u>	<u>3,921,166</u>	<u>563,555</u>
<u>Net Assets</u>			
Net Assets:			
Invested in capital assets, net of related debt	180,413	1,096,286	4,171,299
Restricted for debt service	-	-	-
Unreserved	<u>236,137</u>	<u>206,255</u>	<u>3,159,381</u>
Total net assets	\$ <u>416,550</u>	\$ <u>1,302,541</u>	\$ <u>7,330,680</u>

Business-Type Activities - Enterprise Funds

		Nonmajor Enterprise Funds		
Sewer Fund	Telecom Fund	(Schedule 3)	Total	
\$ 136,138	\$ 52,253	\$ -	\$ 3,119,097	
-	241,332	-	241,332	
2,710	12,247	4,160	849,348	
-	164,239	224	804,849	
<u>138,848</u>	<u>470,071</u>	<u>4,384</u>	<u>5,014,626</u>	
8,756,518	9,724,029	4,626,576	41,483,870	
<u>3,158,637</u>	<u>1,911,214</u>	<u>1,758,836</u>	<u>15,958,054</u>	
<u>5,597,881</u>	<u>7,812,815</u>	<u>2,867,740</u>	<u>25,525,816</u>	
2,832	64,879	-	73,867	
<u>7,590</u>	<u>157,044</u>	<u>-</u>	<u>179,282</u>	
<u>10,422</u>	<u>221,923</u>	<u>-</u>	<u>253,149</u>	
\$ <u>5,747,151</u>	\$ <u>8,504,809</u>	\$ <u>2,872,124</u>	\$ <u>30,793,591</u>	
\$ -	\$ -	\$ 281,555	\$ 281,555	
6,451	81,371	4,549	502,666	
25,758	280,138	-	348,203	
-	131,661	-	131,661	
-	7,090	3,600	61,533	
18,944	-	8,090	27,034	
20,000	-	-	32,000	
217,376	-	-	505,376	
<u>288,529</u>	<u>500,260</u>	<u>297,794</u>	<u>1,890,028</u>	
90,684	56,944	69,243	533,780	
39,609	-	1,144,210	1,183,819	
281,250	-	-	450,000	
<u>1,815,754</u>	<u>11,835,000</u>	<u>-</u>	<u>16,981,386</u>	
<u>2,227,297</u>	<u>11,891,944</u>	<u>1,213,453</u>	<u>19,148,985</u>	
<u>2,515,826</u>	<u>12,392,204</u>	<u>1,511,247</u>	<u>21,039,013</u>	
3,223,892	-	1,850,122	10,522,012	
-	241,332	-	241,332	
<u>7,433</u>	<u>(4,128,727)</u>	<u>(489,245)</u>	<u>(1,008,766)</u>	
\$ <u>3,231,325</u>	\$ <u>(3,887,395)</u>	\$ <u>1,360,877</u>	\$ <u>9,754,578</u>	

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Municipal Liquor Fund	Water Fund
<u>Sales and cost of sales</u>		
Sales	\$ 1,323,829	\$ -
Cost of sales	942,601	-
Gross profit on sales	381,228	-
<u>Operating revenues</u>		
Billings for usage	-	1,180,819
Materials and service sales income	-	4,101
Facility use and other revenues	-	3,342
Total operating revenues	-	1,188,262
<u>Operating expense</u>		
Power costs, Internet and Signal Costs	-	-
Salaries and wages	167,140	195,529
Payroll taxes	20,789	24,730
Employee insurance	21,820	33,002
Supplies and maintenance costs	10,185	32,806
Utilities	12,291	73,088
Insurance	14,265	10,282
Depreciation and amortization	16,641	269,702
Other operating expense	23,714	124,448
Total operating expense	286,845	763,587
Operating income (loss)	94,383	424,675
<u>Other revenues</u>		
Investment income	-	-
Local property taxes	-	10,441
Contributions/reimbursements	-	-
Total other revenues	-	10,441
<u>Other charges</u>		
Interest and debt services	-	114,879
Total other charges	-	114,879
Net income (loss) before operating transfers	94,383	320,237
Operating transfers - (out)	(70,000)	(1,973)
Change in net assets	24,383	318,264
Net assets (deficit), January 1, 2007	486,660	1,053,727
Prior period adjustment	(94,493)	(69,450)
Net assets (deficit), December 31, 2007	\$ 416,550	\$ 1,302,541

Business-Type Activities - Enterprise Funds

Electric Fund	Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 4)	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,323,829
-	-	-	-	942,601
-	-	-	-	381,228
5,411,739	1,062,716	1,466,298	-	9,121,572
15,345	9,230	-	-	28,676
77,016	-	-	328,593	408,951
<u>5,504,100</u>	<u>1,071,946</u>	<u>1,466,298</u>	<u>328,593</u>	<u>9,559,199</u>
3,707,599	-	341,784	-	4,049,383
427,873	281,048	340,111	250,176	1,661,877
53,876	35,694	23,864	32,010	190,963
56,156	55,092	58,409	30,033	254,512
51,993	46,764	104,908	47,995	294,651
2,838	136,401	20,165	89,449	334,232
75,531	9,751	9,275	21,543	140,647
326,878	202,321	749,203	135,679	1,700,424
250,892	99,672	255,606	94,377	848,709
<u>4,953,636</u>	<u>866,743</u>	<u>1,903,325</u>	<u>701,262</u>	<u>9,475,398</u>
<u>550,464</u>	<u>205,203</u>	<u>(437,027)</u>	<u>(372,669)</u>	<u>465,029</u>
18,544	-	94,258	-	112,802
-	10,441	-	355,575	376,457
-	-	-	5,500	5,500
<u>18,544</u>	<u>10,441</u>	<u>94,258</u>	<u>361,075</u>	<u>494,759</u>
3,642	70,542	676,550	26,509	892,122
<u>3,642</u>	<u>70,542</u>	<u>676,550</u>	<u>26,509</u>	<u>892,122</u>
565,366	145,102	(1,019,319)	(38,103)	67,666
(200,000)	-	-	-	(271,973)
<u>365,366</u>	<u>145,102</u>	<u>(1,019,319)</u>	<u>(38,103)</u>	<u>(204,307)</u>
7,084,004	3,170,239	(2,824,855)	1,458,305	10,428,080
(118,690)	(84,016)	(43,221)	(59,325)	(469,195)
<u>\$ 7,330,680</u>	<u>\$ 3,231,325</u>	<u>\$ (3,887,395)</u>	<u>\$ 1,360,877</u>	<u>\$ 9,754,578</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Municipal Liquor Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,323,274	\$ 1,188,312
Cash payments to suppliers for goods and services	(1,004,264)	(115,385)
Cash payments to/for employees for services	(198,785)	(249,385)
Other revenue	-	3,342
Other expense	(23,714)	(124,448)
Net cash provided (used) by operating activities	<u>96,511</u>	<u>702,436</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from property taxes	-	10,441
Interest received	-	-
Operating transfers - (out)	(70,000)	(1,973)
Net cash provided (used) by non-capital financing activities	<u>(70,000)</u>	<u>8,468</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction of capital assets	(25,399)	(58,582)
Proceeds from bond issuance, net	-	-
Principal payments on long-term debt	-	(290,000)
Interest paid	-	(118,548)
Other revenue	-	-
Net cash provided (used) by capital and financing activities	<u>(25,399)</u>	<u>(467,130)</u>
Net increase in cash and cash equivalents	<u>1,112</u>	<u>243,774</u>
Cash and interest bearing deposits, January 1, 2007	<u>232,908</u>	<u>33,929</u>
Cash and interest bearing deposits, December 31, 2007	<u>\$ 234,020</u>	<u>\$ 277,703</u>

Business-Type Activities - Enterprise Funds

Electric Fund	Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 5)	Totals
\$ 5,416,812	\$ 1,073,515	\$ 1,498,492	\$ 327,573	\$ 10,827,978
(3,765,717)	(189,114)	(315,002)	(160,403)	(5,549,885)
(518,469)	(365,166)	(408,661)	(302,301)	(2,042,767)
77,016	-	-	-	80,358
(250,892)	(99,672)	(255,606)	(94,377)	(848,709)
<u>958,750</u>	<u>419,563</u>	<u>519,223</u>	<u>(229,508)</u>	<u>2,466,975</u>
-	10,441	-	355,575	376,457
18,544	-	94,258	-	112,802
(200,000)	-	-	-	(271,973)
<u>(181,456)</u>	<u>10,441</u>	<u>94,258</u>	<u>355,575</u>	<u>217,286</u>
(234,550)	(7,090)	(176,073)	(7,193)	(508,887)
-	-	2,352,114	-	2,352,114
(235,000)	(231,921)	(1,000,000)	(7,672)	(1,764,593)
(6,228)	(72,837)	(670,115)	(26,509)	(894,237)
-	-	-	5,500	5,500
<u>(475,778)</u>	<u>(311,848)</u>	<u>505,926</u>	<u>(35,874)</u>	<u>(810,103)</u>
<u>301,516</u>	<u>118,156</u>	<u>1,119,407</u>	<u>90,193</u>	<u>1,874,158</u>
<u>2,117,467</u>	<u>17,982</u>	<u>(1,067,154)</u>	<u>(371,748)</u>	<u>963,384</u>
<u>\$ 2,418,983</u>	<u>\$ 136,138</u>	<u>\$ 52,253</u>	<u>\$ (281,555)</u>	<u>\$ 2,837,542</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Municipal Liquor Fund	Water Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ 94,383	\$ 424,675
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	16,641	269,702
Changes in assets and liabilities:		
(Increase) decrease in receivables	(555)	163
(Increase) decrease in inventory	(6,254)	(902)
(Increase) decrease in deferred charges	-	3,229
Increase (decrease) in accounts payable	(18,668)	1,693
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in customer deposits	-	-
Increase (decrease) in accrued vacation and sick	10,964	3,876
Net cash provided (used) by operating activities	\$ 96,511	\$ 702,436

Business-Type Activities - Enterprise Funds

<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Telecom Fund</u>	<u>Nonmajor Enterprise Funds (Schedule 5)</u>	<u>Totals</u>
\$ 550,464	\$ 205,203	\$ (437,027)	\$ (372,669)	\$ 465,029
326,878	202,321	749,203	135,679	1,700,424
(11,141)	(1,660)	28,710	(1,020)	14,497
(42,324)	-	97,464	17	48,001
3,229	3,229	9,688	-	19,375
114,568	3,802	37,134	(1,433)	137,096
-	-	26,532	-	26,532
(2,360)	-	(6,204)	-	(8,564)
<u>19,436</u>	<u>6,668</u>	<u>13,723</u>	<u>9,918</u>	<u>64,585</u>
<u>\$ 958,750</u>	<u>\$ 419,563</u>	<u>\$ 519,223</u>	<u>\$ (229,508)</u>	<u>\$ 2,466,975</u>

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Principles Used in Determining the Scope of the Reporting Entity

The funds and account groups included in this report are controlled by and/or dependent on the City Council. Control by and/or dependence on the City Council was determined on the basis of budget adoption, taxing authority, debt issuance secured by the general obligation of the City, and/or the City's obligation to fund any deficits that may occur.

Responsibility for the fair presentation of financial position, results of operations and changes in financial position for all funds of the City in conformity with generally accepted accounting principles lies with the City Council. All fund records, with the exception of the Windom Area Hospital Fund, are maintained by a centralized accounting system.

All of the component units of the City's operations are included in this report with the exception of the Windom Area Hospital Fund which is separately audited and reported on. A copy of the Windom Area Hospital Fund Audit Report may be obtained by contacting the City Clerk, City of Windom, 444 9th Street, P.O. Box 38, Windom, MN 56101 or call (507) 831-6129.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) display information about the non-fiduciary reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 revenues 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.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Eliminations of these charges would distort the costs and revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund.

2007 Street Improvement Bond Fund: The 2007 Street Improvement Bond Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Additionally, the City reports the following fund types:

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes.

Capital Project Fund: Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

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

Enterprise Funds: Enterprise Funds are used to account for the operations of the City's business-type activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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 municipal liquor fund accounts for all activities related to the operation of a liquor store.
- The water fund accounts for activities related to the operation of a water distribution system.
- The electric fund accounts for activities related to the operation of electric generation and distribution system.
- The municipal wastewater fund accounts for activities related to the operation of a wastewater distribution system.
- The telecommunications fund accounts for the operation of a broadband communications system.

d. Budgetary Data

General Budget Policies -

The City follows legally prescribed procedures in establishing the budgetary data reflected in the financial statements as follows:

1. The City Clerk-Treasurer submits to the City Council a proposed operating budget for the Governmental Fund types. This operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The budget is enacted through passage of a resolution by the Council and the tax levy is certified the county auditor annually in December.
3. After adoption by the City Council, the expenditures incorporated into the budget become management guidelines. Appropriations for all budgeted funds and the actual expenditures must be held to budgeted levels unless amended through a supplemental appropriation resolution.
4. The City Council may transfer by resolution, a supplemental budget appropriation to increase spending authority if it is determined during the year sufficient amounts have not been budgeted. Reported budget amounts represent the originally adopted budget.

Unexpended budgeted amounts lapse at the end of the budget year. Legal spending control for City monies is at the fund level, but management control is exercised at budgetary line item levels within each fund.

e. Assets, Liabilities, and Net Assets or Equity

Cash and Interest Bearing Deposits -

Cash balances are invested to the extent available in short term certificates of deposit and interest-bearing savings accounts; these deposits are carried at cost, which at December 31, 2007, is the same as market value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) :

e. Assets, Liabilities, and Net Assets or Equity (continued)

Property Taxes Receivable -

Property taxes attach as an enforceable lien as of January 1 annually. Taxes are collected by the County in two equal installments which are payable basically in May and October in the State of Minnesota.

Inventories -

Inventories of the Airport (resale gasoline) and Enterprise funds are carried at the lower of cost or market using the FIFO (first-in, first-out) method.

Capital Assets -

Capital assets, which include property, plant and equipment, 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 \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Improvements other than buildings	20-50 years
Building and structures	25-50 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-15 years
General purpose computers	3 years

f. 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 debt are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)DECEMBER 31, 20071. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):g. Fund Equity

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

h. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

i. Compensated Absences

The City's vacation policy is that employees may carry-over vacation from one year to the next up to a maximum of eighty hours. The maximum accrual for vacation is capped at two hundred forty hours. Upon termination, for any reason, the City will reimburse an employee up to the maximum vacation accrual of two hundred forty hours. The maximum accrual for sick time is capped at one thousand hours. Upon termination, for reasons other than retirement, the City will not pay accrued sick time. Upon retirement, the City will reimburse an employee up to the maximum sick time accrual of one thousand hours at a 50% reduction. Vacation and sick time is accrued and credited to employee's accounts on January 1 each year.

j. Financial Reporting Entity

The City of Windom, for financial reporting purposes, includes all of the funds relevant to the operations of the City, with the exception of the Windom Area Hospital Fund, which is covered by a separate audit report.

k. Use of Estimates

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

1. Changes in Accounting Principles

As of the year ended December 31, 2004, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type, which had been the mode of presentation in financial statements issued prior to December 31, 2004. The implementation of GASB Statement No. 34 at December 31, 2004 caused the opening fund balance to be restated in terms of "net assets".

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

2. CASH AND INTEREST BEARING DEPOSITS:

In accordance with Minnesota Statutes, the City maintains its deposits at depository banks authorized by the City Council.

Deposits

At year-end the carrying amount of the City's deposits was \$5,880,424 and the bank balance was \$6,060,915. The City's deposits are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2007. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes collateralized deposits with securities held by the pledging financial institution's trust department or agent in securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits which are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Bank <u>Balance</u>
Deposits	\$5,880,424	\$ -	\$ -	\$6,060,915

Minnesota Statutes require that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of FDIC insurance (140% if collateralized with notes secured by first mortgages). Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. The bank balance is categorized as follows:

Insured by FDIC insurance	\$ 217,412
Covered by collateral	5,843,503
Not covered by collateral	-
	<u>\$ 6,060,915</u>

3. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS:

Significant receivables include amounts due from customers primarily for utility services, use or rental agreements for the City's airport facilities and services related to fire calls. These receivables are due within one year. Certain funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. An allowance for uncollectibles in the amount of \$2,877 has been estimated in relation to fire call receivables in the General Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)DECEMBER 31, 20074. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Primary Increases
Governmental activities:		
Capital assets not being depreciated:		
Land	\$ 227,061	\$ -
Construction in progress	209,097	1,356,745
Total capital assets not being depreciated	<u>436,158</u>	<u>1,356,745</u>
Other capital assets:		
Buildings and improvements	2,709,155	41,338
Machinery and equipment	5,082,373	288,484
Other fixed assets	1,535,398	-
Infrastructure	1,259,121	261,136
Total other capital assets at historical cost	<u>10,586,047</u>	<u>590,958</u>
Less accumulated depreciation for:		
Buildings and improvements	(363,360)	(66,598)
Machinery and equipment	(2,428,936)	(521,593)
Other fixed assets	(251,958)	(36,843)
Infrastructure	(175,987)	(60,657)
Total accumulated depreciation	<u>(3,220,241)</u>	<u>(685,691)</u>
Total other capital assets, net	<u>7,365,806</u>	<u>(94,733)</u>
Governmental activities capital assets, net	<u>\$ 7,801,964</u>	<u>\$ 1,262,012</u>

	Beginning Balance	Primary Increases
Business-type activities:		
Capital assets not being depreciated:		
Land	\$ 154,922	\$ -
Construction in progress	328,285	-
Total capital assets not being depreciated	<u>483,207</u>	<u>-</u>
Other capital assets:		
Buildings and improvements	16,169,454	38,217
Machinery and equipment	3,832,323	39,215
Furniture and fixtures	80,379	-
Other fixed assets	20,144,083	759,740
Infrastructure	267,914	-
Total other capital assets at historical cost	<u>40,494,153</u>	<u>837,172</u>

Government

Decreases	Ending Balance
\$ -	\$ 227,061
<u>(209,097)</u>	<u>1,356,745</u>
<u>(209,097)</u>	<u>1,583,806</u>
-	2,750,493
(11,500)	5,359,357
-	1,535,398
-	1,520,257
<u>(11,500)</u>	<u>11,165,505</u>
-	(429,958)
11,500	(2,939,029)
-	(288,801)
-	(236,644)
<u>11,500</u>	<u>(3,894,432)</u>
-	7,271,073
<u>\$ (209,097)</u>	<u>\$ 8,854,879</u>

Government

Decreases	Ending Balance
\$ -	\$ 154,922
<u>(328,285)</u>	<u>-</u>
<u>(328,285)</u>	<u>154,922</u>
-	16,207,671
-	3,871,538
-	80,379
(2,377)	20,901,446
-	267,914
<u>(2,377)</u>	<u>41,328,948</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

4. CAPITAL ASSETS (CONTINUED):

	<u>Beginning</u>	<u>Primary</u>
	<u>Balance</u>	<u>Increases</u>
Business-type activities:		
Less accumulated depreciation for:		
Buildings and improvements	(5,303,645)	(452,808)
Machinery and equipment	(2,713,158)	(97,678)
Furniture and fixtures	(71,085)	(21,736)
Other fixed assets	(6,164,180)	(1,098,689)
Infrastructure	<u>(31,210)</u>	<u>(6,242)</u>
Total accumulated depreciation	<u>(14,283,278)</u>	<u>(1,677,153)</u>
 Total other capital assets, net	 <u>26,210,875</u>	 <u>(839,981)</u>
 Business-type activities capital assets, net	 <u>\$ 26,694,082</u>	 <u>\$ (839,981)</u>

Depreciation expense was charged to functions/programs of the city as follows:

Governmental activities:

- General government
- Public safety
- Public works
- Health and welfare
- Culture and recreation
- Conservation and economic development
- Airport

Total governmental activities depreciation expense

Business-type activities:

- Municipal Liquor
- Water
- Electric
- Sewer
- Telecom
- Arena
- Multi-Purpose Center
- River Bluff Townhomes

Total business-type activities depreciation expense

* The capitalized cost of the telecommunications plant includes capitalized interest of \$261,833. Construction in progress in the Water fund includes capitalized interest of \$2,650. Construction in progress in the Sewer fund includes capitalized interest of \$2,571. Capitalized cost in the 4th Avenue Improvement fund includes capitalized interest of \$4,951. Capitalized cost in the 2007 Street Improvement fund includes capitalized interest of \$25,352.

Government

<u>Decreases</u>	<u>Ending Balance</u>
-	(5,756,453)
-	(2,810,836)
-	(92,821)
2,377	(7,260,492)
-	(37,452)
<u>2,377</u>	<u>(15,958,054)</u>
-	25,370,894
<u>\$ (328,285)</u>	<u>\$ 25,525,816</u>

\$ 58,365
195,424
226,141
10,661
104,069
4,733
86,299
<u>\$ 685,692</u>

\$ 16,641
267,762
323,579
201,523
731,969
33,266
66,839
35,574
<u>\$ 1,677,153</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

5. LONG-TERM DEBT:

a. General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital improvements, and to refinance existing bonded debt. General obligation bonds have been issued for governmental activities and for proprietary activities to refinance debt.

General obligation bonds are direct obligations and pledge the full faith and credit of the Government. These bonds generally are issued as 15-year serial bonds with maturing amounts generally increasing each year. Some of the bonds issued contain special assessments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Government must provide resources to cover the deficiency.

General Obligation Revenue Bonds

The City issues general obligation revenue bonds to provide funds for the acquisition and construction of major capital improvements for the water and municipal wastewater funds. General obligation revenue bonds are direct obligations and pledge the full faith and credit of the Government.

Revenue Bonds

The City also issues bonds where the Government pledges income derived from the constructed assets to pay debt service. Revenue bonds have been issued for business-type activities.

Following is a detail of the outstanding bonds as of December 31, 2007:

	<u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Maturity</u>	<u>Outstanding</u> <u>Principal</u>
G O Tax Increment Bond of 2000	5.6	2018	\$ <u>255,000</u>
G O Improvement Bonds of 1994	2.44	2014	131,324
G O Wastewater Treatment Bond Series 1995	2.45	2011	79,800
G O Improvement Bond of 2000	5.6	2016	210,000
G O Improvements Bonds, Series 2003	3.77	2019	1,205,000
G O Improvement Bonds, Series 2005 A	3.0-4.4	2021	1,320,000
G O Improvement & Refunding Bonds, Series 2006A	3.7-4.15	2018	940,000
G O Temporary Equipment Certificates Series 2007A	4.0	2010	2,365,000
G O Temporary Equipment Certificates Series 2007A	3.75-4.3	2023	<u>1,380,000</u>
Total G O Special Assessment			<u>7,631,124</u>
G O Sewer Bonds Series 1994	2.71	2015	1,808,762
G O Revenue Series 1999	2.57	2018	2,005,000
G O Water Revenue Bond of 2000	5.6	2016	270,000
G O Revenue Note Series 1999A	2.29	2019	<u>893,000</u>
Total G O Revenue			<u>4,976,762</u>
Communication System Revenue Bonds 2004	4.5-6.25	2024	<u>9,470,000</u>
Total Revenue			<u>9,470,000</u>
Total			<u>\$22,332,886</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

5. LONG-TERM DEBT (CONTINUED):

Other Notes Payable-

The River Bluff Townhomes (Enterprise Fund) notes payable has various terms on the notes. In 2007, payments were made to Bank of the West in the amount of \$7,672. No payments were made on the remaining notes payable. The current portion of the Bank of the West note is \$8,090. The list of the notes is as follows:

Bank of the West	\$ 452,138
Special Assessments	111,857
GMHF	180,000
MHFA	353,305
Cottonwood County	25,000
PM Windom	15,000
Toro Foundation	<u>15,000</u>
Total	<u>\$ 1,152,300</u>

In the River Bluff Estates Fund (Special Revenue Fund) there is one note payable. The United Prairie Bank (UPB) loan was obtained to pay off a note to Bank Midwest.

UPB 7.25% monthly interest-only pmts	\$ <u>128,000</u>
Beginning 10-10-07 for 3 years - 427 6 th Ave	

In the PM Revolving Loan Fund (Special Revenue Fund) there is one note payable. It is as follows:

State of Minnesota - PM Windom	\$ <u>150,000</u>
--------------------------------	-------------------

In the Capital Projects Fund there is one note payable. The current terms and maturities of the note are as follows:

Bank Midwest - secured by	
2005 Street Sweeper,	
Varying annual principal	
And interest payments,	
Interest at 4.6%	\$ <u>40,000</u>

Scheduled principal and interest payments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ <u>40,000</u>	\$ <u>1,840</u>	\$ <u>41,840</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

5. LONG-TERM DEBT (CONTINUED):

In the EDA Fund there is one note payable. The note was obtained to pay off an interfund note payable with the Electric Fund. The current terms and maturities of the note are as follows:

Bank Midwest - monthly payments
of \$4,586, interest at 7.25% \$ 511,817

Scheduled principal and interest payments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,190	\$ 44,836	\$ 55,026
2009	11,095	43,931	55,026
2010	11,938	43,088	55,026
2011	<u>478,594</u>	<u>8,675</u>	<u>487,269</u>
	<u>\$ 511,817</u>	<u>\$ 140,530</u>	<u>\$ 652,347</u>

In the Sewer Fund there is one note payable. The current terms and maturities of the note are as follows:

League of Minnesota Cities, equal
annual installments for five years,
no interest if paid within one year,
interest at 3% if paid in more than
one annual installment. \$ 58,553

The following funds report accrued vacation and sick time:

	<u>Vacation</u>	<u>Sick</u>	<u>Total</u>
General	\$ 53,922	\$ 273,204	\$ 327,126
Library	860	36,530	37,390
Swim Pool	1,116	3,254	4,370
Ambulance	219	2,525	2,744
EDA	298	6,730	7,028
Liquor	54,397	51,060	105,457
Water	6,838	66,488	73,326
Electric	20,770	117,356	138,126
Sewer	9,536	81,148	90,684
Telecom	8,296	48,648	56,944
Arena	10,580	35,946	46,526
Multi-Purpose Center	<u>3,475</u>	<u>19,242</u>	<u>22,717</u>
	<u>\$ 170,307</u>	<u>\$ 742,131</u>	<u>\$ 912,438</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

5. LONG-TERM DEBT (CONTINUED):

b. Changes in long-term liabilities:

Governmental activities long-term liability balances and activity for the year ended December 31, 2007 were as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>
<u>General Obligation Bonds:</u>			
GO Tax Increment Bond of 2000	\$ 270,000	\$ -	\$ 15,000
GO Improvement Bonds of 1994	150,145	-	18,821
GO Wastewater Treatment Bond of 1995	101,379	-	21,579
GO Improvement Bond of 2000	230,000	-	20,000
GO Improvement Bonds Series 2003	771,000	-	48,000
Equipment Bond of 2004	50,000	-	50,000
GO Improvement Bonds Series 2005 A	695,000	-	50,000
GO Improvement and Refunding Bonds Series 2006 A	940,000	-	-
GO Improvement Bonds Series 2007 B	-	1,380,000	-
<u>Other Loans and Obligations:</u>			
River Bluff Estates - United Prairie Bank	111,298	-	111,298
River Bluff Estates - Bank Midwest	128,000	-	128,000
River Bluff Estates - Bank Midwest	128,000	-	128,000
River Bluff Estates - United Prairie Bank	-	128,000	-
PM Revolving Loan - State of Minnesota	150,000	-	-
PM Revolving Loan - Bank Midwest	72,515	-	72,515
Economic Development - Bank Midwest	622,477	-	110,660
Capital Projects Equipment - Bank Midwest	80,000	-	40,000
Accrued Vacation and Sick Pay	349,167	29,491	-
 Total Governmental Activities Long-Term Debt	 \$ <u>4,848,981</u>	 \$ <u>1,537,491</u>	 \$ <u>813,873</u>

<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
\$ 255,000	\$ 15,000
131,324	19,282
79,800	22,111
210,000	20,000
723,000	48,000
-	-
645,000	50,000
940,000	20,000
1,380,000	-
-	-
-	-
-	-
128,000	-
150,000	-
-	-
511,817	10,518
40,000	40,000
378,658	-
\$ 5,572,599	\$ 244,911

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

5. LONG-TERM DEBT (CONTINUED):

b. Changes in long-term liabilities:

Business-type activities long-term liability balances and activity for the year ended December 31, 2007 were as follows:

	Beginning Balance	Additions	Reductions
<u>Business-type Activities:</u>			
General Obligation Bonds:			
GO Improvement Bonds Series 2003	\$ 514,000	\$ -	\$ 32,000
GO Improvement Bonds Series 2005 A	725,000	-	50,000
GO Temporary Equipment Certificates Series 2007 A	-	2,365,000	-
General Obligation Revenue Bonds:			
GO Sewer Bonds Series 1994	2,008,683	-	199,921
GO Revenue Series 1999	2,161,000	-	156,000
GO Water Revenue Bond of 2000	290,000	-	20,000
GO Water Note Series 1999A	957,000	-	64,000
Revenue Bonds:			
Electric Revenue Refunding Bonds 2004	235,000	-	235,000
Communications System Revenue Bonds 2004	9,470,000	-	-
Other Loans and Obligations:			
River Bluff Townhomes - Bank of the West	459,810	-	7,672
River Bluff Townhomes - Special Assessments	111,857	-	-
River Bluff Townhomes - GMHF	180,000	-	-
River Bluff Townhomes - MHFA	353,305	-	-
River Bluff Townhomes - Cottonwood County	25,000	-	-
River Bluff Townhomes - PM Windom	15,000	-	-
River Bluff Townhomes - Toro Foundation	15,000	-	-
Sewer - LMC Emergency Sewer Repair	58,553	-	-
Telecom - Bank Midwest	1,000,000	-	1,000,000
Accrued Vacation and Sick Pay	469,195	64,585	-
 Total Business-Type Activities Long-Term Debt	 \$ 19,048,403	 \$ 2,429,585	 \$ 1,764,593
 Total Long-Term Debt	 \$ 23,897,384	 \$ 3,967,076	 \$ 2,578,466

c. Minimum debt payments:

Minimum annual principal and interest payments to retire long-term bonded debt payable are as follows:

Year Ending December 31	General Obligation Bonds Payable		General Obligation Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2008	276,393	317,122	455,376	134,602
2009	367,411	298,047	466,980	121,998
2010	2,808,455	236,518	478,736	109,086
2011	442,557	172,917	495,649	95,713
2012	456,247	155,795	507,723	81,872
2013-2017	2,260,061	499,844	2,200,298	198,617
2018-2022	1,155,000	123,010	372,000	11,016
2023-2024	120,000	2,580	-	-
 Total	 7,886,124	 1,805,833	 4,976,762	 752,904

<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
\$ 482,000	\$ 32,000
675,000	50,000
2,365,000	-
1,808,762	205,376
2,005,000	160,000
270,000	25,000
893,000	65,000
-	-
9,470,000	-
452,138	8,090
111,857	-
180,000	-
353,305	-
25,000	-
15,000	-
15,000	-
58,553	18,944
-	-
533,780	-
<u>\$ 19,713,395</u>	<u>\$ 564,410</u>
<u>\$ 25,285,994</u>	<u>\$ 809,321</u>

<u>Revenue Bonds Payable</u>	
<u>Principal</u>	<u>Interest</u>
-	579,196
50,000	579,197
100,000	576,946
140,000	572,246
240,000	565,246
1,875,000	2,579,224
3,130,000	1,844,062
3,935,000	444,377
<u>9,470,000</u>	<u>7,740,494</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

6. INTERFUND RECEIVABLES AND PAYABLES:

Economic Development Fund:		
Due from Capital Projects	\$	2,760
Due from River Bluff Estates Fund		74,262
River Bluff Estates Fund:		
Due to Economic Development Fund		74,262
Capital Projects Fund:		
Due to Economic Development Fund		<u>2,760</u>
	\$	<u>77,022</u>
	\$	<u>77,022</u>

7. DESIGNATED FUND BALANCES, RESERVED FUND BALANCES AND RESTRICTED NET ASSETS:

General Fund - Designated for working capital needs	\$	<u>799,102</u>
Total Designated Fund Balances	\$	<u>799,102</u>
Economic Development Fund - Reserved for capital outlay	\$	7,144
2007 Street Improvement Bond Fund - Reserved for debt repayment		77,822
2006A Refunding Bond Fund - Reserved for debt repayment		612,123
2003 Improvement Bond Fund - Reserved for debt repayment		10,454
4 th Avenue Improvement Bond Fund - Reserved for debt repayment		(79,167)
GO Special Assessment Bond Fund - Reserved for debt repayment		<u>239,016</u>
Total Reserved Fund Balances	\$	<u>867,392</u>
Economic Development Fund - Restricted for capital outlay	\$	7,144
2007 Street Improvement Bond Fund - Reserved for debt repayment		77,822
2006A Refunding Bond Fund - Reserved for debt repayment		612,123
2003 Improvement Bond Fund - Reserved for debt repayment		10,454
4 th Avenue Improvement Bond Fund - Reserved for debt repayment		(79,167)
GO Special Assessment Bond Fund - Restricted for debt repayment		239,016
Telecom - Restricted for debt repayment		<u>241,332</u>
Total Restricted Net Assets	\$	<u>1,108,724</u>

8. DEFICIT FUND EQUITY:

- Equipment Capital Projects Fund - The Equipment Capital Projects Fund has a deficit fund balance of \$125,612 at December 31, 2007. Management plans to eliminate this deficit by controlling expenses.
- TIF District 1-12, 1-13, 1-14 Funds - The TIF District 1-12, 1-13, and 1-14 Funds have deficit fund balances of \$3,782, \$70,266 and \$2,760 respectively at December 31, 2007. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- 4th Avenue Improvement Bond Fund - The 4th Avenue Improvement Bond Fund has deficit fund balance of \$79,167 at December 31, 2007. Management plans to eliminate this deficit by assessing properties under construction and increasing levies.
- Airport Fund - The Airport Fund has deficit fund balance of \$15,408 at December 31, 2007. Management plans to eliminate this deficit by increasing revenues and controlling expenses.
- Telecommunications Fund - The Telecommunications Fund has deficit net assets of \$3,887,395 at December 31, 2007. Management plans to eliminate this deficit by increasing sales and controlling expenses.
- River Bluff Townhomes Fund - The River Bluff Townhomes Fund has deficit net assets of \$132,536 at December 31, 2007. Management plans to eliminate this deficit by increasing occupancy and controlling expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, GOVERNMENTAL FUNDS TYPES:

Expenditures exceeded budget in the following special revenue funds during the year ended December 31, 2007:

<u>Fund</u>	<u>Excess Expenditures</u>
Airport	\$ 23,375
EDA	123,911
Riverbluff Estates	4,581
Riverbluff Estates Revolving Loan Fund	3,360
EDA Revolving Loan Fund	425
PM Revolving Loan Fund	25,357
TIF District 1-8	3,144
TIF District 1-11	462

10. RETIREMENT BENEFIT PENSION PLANS, STATEWIDE:

a. Plan Description

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

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for 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.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

10. RETIREMENT BENEFIT PENSION PLANS, STATEWIDE (CONTINUED):

a. Plan Description (continued)

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 published a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

b. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City of Windom is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members and 11.7% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9% respectively, effective January 1, 2008. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$129,440, \$130,769, and \$112,275, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$47,682, \$43,378, and \$35,857, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

11. INTERFUND TRANSFERS:

A listing of the operating from/to other funds is as follows:

a. Operating transfer from Municipal Liquor Fund to General Fund	\$ 70,000
b. Operating transfer from Electric Fund to General Fund	200,000
c. Capital transfer from Water Fund to 2006A Refunding Bond Fund	1,973
d. Capital transfer from EDA Fund to River Bluff Estates Fund	128,171
e. Capital transfer from TIF Fund 1-8 to EDA Fund	2,332

In addition, a transfer from Windom Area Hospital in the amount of \$208,261 was made to the Hospital Bond Debt Service Fund. This is the reported difference between transfers in and transfers out on Exhibit B.

12. RISK INFORMATION:

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Fund managed its risks as follows:

Public Entity Risk Pool:

The Fund is a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota local government entities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Fund had determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements taken as a whole. The Fund pays an annual premium to the pool to provide coverage of risks related to property, automobiles, theft, general liability, worker's compensation, employee liability and employee benefits and errors and omissions.

13. PRIOR PERIOD ADJUSTMENT:

A prior period adjustment was recorded in governmental and business-type funds to give rise to the effects of unrecorded vacation and sick time accruals as of December 31, 2006.

Governmental Funds	\$ 349,167
Business-type Funds	<u>469,195</u>
Total Prior Period Adjustment	<u>\$ 818,362</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2007

	<u>Library</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>	<u>Swim</u> <u>Pool</u> <u>Fund</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 22,859	\$ -	\$ 27,564
Accounts receivable	-	349	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	18,928	-
Total assets	<u>\$ 22,859</u>	<u>\$ 19,277</u>	<u>\$ 27,564</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ -	\$ 32,733	\$ -
Accounts payable	2,790	1,552	119
Customer deposits	-	400	-
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>2,790</u>	<u>34,685</u>	<u>119</u>
Fund Balances:			
Fund balance - unreserved, undesignated	20,069	(15,408)	27,445
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>20,069</u>	<u>(15,408)</u>	<u>27,445</u>
Total liabilities and fund balances	<u>\$ 22,859</u>	<u>\$ 19,277</u>	<u>\$ 27,564</u>

Special Revenue

Economic Development Fund	Ambulance Fund	North Industrial Park Fund	River Bluff Estates Fund	River Bluff Revolving Loan Fund
\$ 120,773	\$ 419,655	\$ 6,043	\$ -	\$ 22,087
-	127,266	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
77,022	-	-	-	-
730,973	-	-	305,395	-
<u>\$ 928,768</u>	<u>\$ 546,921</u>	<u>\$ 6,043</u>	<u>\$ 305,395</u>	<u>\$ 22,087</u>
\$ -	\$ -	\$ -	\$ 30,039	\$ -
2,643	4,330	-	585	-
-	-	-	-	-
-	-	-	-	-
-	-	-	74,262	-
511,817	-	-	128,000	-
<u>514,460</u>	<u>4,330</u>	<u>-</u>	<u>232,886</u>	<u>-</u>
407,164	542,591	6,043	72,509	22,087
7,144	-	-	-	-
<u>414,308</u>	<u>542,591</u>	<u>6,043</u>	<u>72,509</u>	<u>22,087</u>
<u>\$ 928,768</u>	<u>\$ 546,921</u>	<u>\$ 6,043</u>	<u>\$ 305,395</u>	<u>\$ 22,087</u>

NONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEETDECEMBER 31, 2007

	EDA Revolving Loan Fund	EM Revolving Loan Fund	SCDP Revolving Loan Fund
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 40,942	\$ 385,247	\$ 130,073
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Loans receivable	-	406,389	117,484
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	22,453	278,990	-
Total assets	<u>\$ 63,395</u>	<u>\$ 1,070,626</u>	<u>\$ 247,557</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Customer deposits	-	-	-
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	150,000	-
Total liabilities	<u>-</u>	<u>150,000</u>	<u>-</u>
Fund Balances:			
Fund balance - unreserved, undesignated	63,395	920,626	247,557
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>63,395</u>	<u>920,626</u>	<u>247,557</u>
Total liabilities and fund balances	<u>\$ 63,395</u>	<u>\$ 1,070,626</u>	<u>\$ 247,557</u>

Special Revenue

TIF District 1-1 Fund	TIF District 1-2 Fund	TIF District 1-3 Fund	TIF District 1-4 Fund	TIF District 1-6 Fund
\$ 55,381	\$ 47,484	\$ 237	\$ 1,630	\$ 970
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>55,381</u>	<u>47,484</u>	<u>237</u>	<u>1,630</u>	<u>970</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
55,381	47,484	237	1,630	970
-	-	-	-	-
<u>55,381</u>	<u>47,484</u>	<u>237</u>	<u>1,630</u>	<u>970</u>
<u>\$ 55,381</u>	<u>\$ 47,484</u>	<u>\$ 237</u>	<u>\$ 1,630</u>	<u>\$ 970</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2007

	Special		
	TIF	TIF	TIF
	District 1-8	District 1-10	District 1-11
	Fund	Fund	Fund
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 24,634	\$ -	\$ 3,085
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	-	-
Total assets	<u>\$ 24,634</u>	<u>\$ -</u>	<u>\$ 3,085</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Customer deposits	-	-	-
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances:</u>			
Fund balance - unreserved, undesignated	24,634	-	3,085
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>24,634</u>	<u>-</u>	<u>3,085</u>
Total liabilities and fund balances	<u>\$ 24,634</u>	<u>\$ -</u>	<u>\$ 3,085</u>

Revenue			Capital Projects Equipment Capital Projects Fund	Debt Service 2003 Improvement Bond Fund
TIF District 1-12 Fund	TIF District 1-13 Fund	TIF District 1-14 Fund		
\$ 2,909	\$ 678	\$ -	\$ -	\$ 10,454
-	-	-	-	-
-	-	-	-	204,772
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,909</u>	<u>\$ 678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,226</u>
\$ -	\$ -	\$ -	\$ 125,612	\$ -
6,691	70,944	-	-	-
-	-	-	-	-
-	-	-	-	204,772
-	-	2,760	-	-
-	-	-	-	-
<u>6,691</u>	<u>70,944</u>	<u>2,760</u>	<u>125,612</u>	<u>204,772</u>
(3,782)	(70,266)	(2,760)	(125,612)	-
-	-	-	-	10,454
<u>(3,782)</u>	<u>(70,266)</u>	<u>(2,760)</u>	<u>(125,612)</u>	<u>10,454</u>
<u>\$ 2,909</u>	<u>\$ 678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,226</u>

NONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEETDECEMBER 31, 2007

	Debt Service		
	4th Avenue Improvement Bond Fund	2006 A Refunding Bond Fund	GO Special Assessment Bond Fund
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ -	\$ 612,123	\$ 233,536
Accounts receivable	-	-	-
Special assessments receivable, deferred	146,954	201,599	570,040
Special assessments receivable, delinquent	-	-	7,808
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	-	-
Total assets	<u>\$ 146,954</u>	<u>\$ 813,722</u>	<u>\$ 811,384</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ 79,167	\$ -	\$ -
Accounts payable	-	-	2,328
Customer deposits	-	-	-
Deferred revenue, special assessments	146,954	201,599	570,040
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>226,121</u>	<u>201,599</u>	<u>572,368</u>
Fund Balances:			
Fund balance - unreserved, undesignated	-	-	-
Fund balance - reserved (deficit)	<u>(79,167)</u>	<u>612,123</u>	<u>239,016</u>
Total fund balances	<u>(79,167)</u>	<u>612,123</u>	<u>239,016</u>
Total liabilities and fund balances	<u>\$ 146,954</u>	<u>\$ 813,722</u>	<u>\$ 811,384</u>

Hospital Bond Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,168,364
-	127,615
-	1,123,365
-	7,808
-	523,873
-	77,022
-	<u>1,356,739</u>
<u>\$ -</u>	<u>\$ 5,384,786</u>
\$ -	\$ 267,551
-	91,982
-	400
-	1,123,365
-	77,022
-	<u>789,817</u>
<u>-</u>	<u>2,350,137</u>
-	2,245,079
-	<u>789,570</u>
<u>-</u>	<u>3,034,649</u>
<u>\$ -</u>	<u>\$ 5,384,786</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Revenues</u>	<u>Library</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>	<u>Swim</u> <u>Pool</u> <u>Fund</u>
Local property taxes	\$ 163,370	\$ 3,280	\$ 50,540
Special assessments	-	-	-
Intergovernmental revenues	11,035	-	-
State grants	-	65,369	-
County grants	-	-	-
Charges for services and facilities	2,596	70,246	29,973
Fines and forfeits	1,944	-	-
Investment income	-	-	-
Other revenues	-	386	7,249
Total revenues	<u>178,945</u>	<u>139,281</u>	<u>87,762</u>
 <u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	161,957	-	-
Swim pool	-	-	78,907
Conservation and development:			
Economic development and assistance	-	-	-
Airport	-	76,495	-
Capital outlay:			
Other	11,741	-	4,795
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>173,698</u>	<u>76,495</u>	<u>83,702</u>
Excess of revenues over (under) expenditures	<u>5,247</u>	<u>62,786</u>	<u>4,060</u>
 <u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,247	62,786	4,060
Fund balance (deficit), January 1, 2007	<u>14,822</u>	<u>(78,194)</u>	<u>23,385</u>
Fund balance (deficit), December 31, 2007	<u>\$ 20,069</u>	<u>\$ (15,408)</u>	<u>\$ 27,445</u>

Special Revenue

Economic Development Fund	Ambulance Fund	North Industrial Park Fund	River Bluff Estates Fund	River Bluff Revolving Loan Fund
\$ 133,570	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	2,700	-	-	-
-	-	-	-	-
-	-	-	-	-
37,070	374,771	-	-	-
-	-	-	-	-
-	-	-	-	-
311,953	-	6,120	10,579	-
<u>482,593</u>	<u>377,471</u>	<u>6,120</u>	<u>10,579</u>	<u>-</u>
-	218,602	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
193,866	-	-	5,769	3,360
-	-	-	-	-
7,759	95,545	-	-	-
-	-	-	-	-
-	-	-	21,253	-
<u>201,625</u>	<u>314,147</u>	<u>-</u>	<u>27,022</u>	<u>3,360</u>
<u>280,968</u>	<u>63,324</u>	<u>6,120</u>	<u>(16,443)</u>	<u>(3,360)</u>
2,332	-	-	128,171	-
(128,171)	-	-	-	-
<u>(125,839)</u>	<u>-</u>	<u>-</u>	<u>128,171</u>	<u>-</u>
155,129	63,324	6,120	111,728	(3,360)
259,179	479,267	(77)	(39,219)	25,447
<u>\$ 414,308</u>	<u>\$ 542,591</u>	<u>\$ 6,043</u>	<u>\$ 72,509</u>	<u>\$ 22,087</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Revenues</u>	EDA Revolving Loan Fund	PM Revolving Loan Fund	SCDP Revolving Loan Fund
Local property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental revenues	-	-	-
State grants	-	-	-
County grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	1,677	-	-
Other revenues	-	25,233	7,515
Total revenues	1,677	25,233	7,515
 <u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	-	2,842	100
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	2,842	100
 Excess of revenues over (under) expenditures	 1,677	 22,391	 7,415
 <u>Other Financing Sources</u>			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	-	-	-
 Net change in fund balances	 1,677	 22,391	 7,415
 Fund balance (deficit), January 1, 2007	 61,718	 898,235	 240,142
Fund balance (deficit), December 31, 2007	\$ 63,395	\$ 920,626	\$ 247,557

Special Revenue

TIF District 1-1 Fund	TIF District 1-2 Fund	TIF District 1-3 Fund	TIF District 1-4 Fund	TIF District 1-6 Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
789	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,040	36,774	-	49,429	718
<u>5,829</u>	<u>36,774</u>	<u>-</u>	<u>49,429</u>	<u>718</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,785	-	4,943	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	25,067	-	44,486	-
-	27,852	-	49,429	-
<u>5,829</u>	<u>8,922</u>	<u>-</u>	<u>-</u>	<u>718</u>
-	-	-	-	-
-	-	-	-	-
<u>5,829</u>	<u>8,922</u>	<u>-</u>	<u>-</u>	<u>718</u>
49,552	38,562	237	1,630	252
<u>\$ 55,381</u>	<u>\$ 47,484</u>	<u>\$ 237</u>	<u>\$ 1,630</u>	<u>\$ 970</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Revenues</u>	<u>Special</u>		
	<u>TIF</u>	<u>TIF</u>	<u>TIF</u>
	<u>District 1-8</u>	<u>District 1-10</u>	<u>District 1-11</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Local property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental revenues	-	-	-
State grants	-	-	-
County grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	-	-	-
Other revenues	32,426	26,096	6,462
Total revenues	<u>32,426</u>	<u>26,096</u>	<u>6,462</u>
<u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development			
and assistance	812	2,609	6,462
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	4,977	23,487	-
Total expenditures	<u>5,789</u>	<u>26,096</u>	<u>6,462</u>
Excess of revenues over (under) expenditures	<u>26,637</u>	<u>-</u>	<u>-</u>
<u>Other Financing Sources</u>			
Operating transfers in	-	-	-
Operating transfers (out)	(2,332)	-	-
Total other financing sources (uses)	<u>(2,332)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	24,305	-	-
Fund balance (deficit), January 1, 2007	329	-	3,085
Fund balance (deficit), December 31, 2007	<u>\$ 24,634</u>	<u>\$ -</u>	<u>\$ 3,085</u>

Revenue			Capital Projects	Debt Service
TIF District 1-12 Fund	TIF District 1-13 Fund	TIF District 1-14 Fund	Equipment Capital Projects Fund	2003 Improvement Bond Fund
\$ -	\$ -	\$ -	\$ 156,500	\$ -
-	-	-	-	42,822
-	2,757	-	-	-
-	-	-	3,000	-
-	-	-	22,325	-
-	-	-	-	-
-	-	-	-	-
-	-	-	4,716	-
<u>95,716</u>	<u>16,496</u>	<u>-</u>	<u>21,446</u>	<u>-</u>
<u>95,716</u>	<u>19,253</u>	<u>-</u>	<u>207,987</u>	<u>42,822</u>
-	-	-	-	-
-	-	-	1,037	-
-	-	-	-	-
-	-	-	-	-
9,533	-	-	-	-
-	-	-	-	-
-	-	-	209,982	-
-	15,000	-	90,000	48,000
<u>85,650</u>	<u>15,338</u>	<u>-</u>	<u>5,550</u>	<u>26,820</u>
<u>95,183</u>	<u>30,338</u>	<u>-</u>	<u>306,569</u>	<u>74,820</u>
<u>533</u>	<u>(11,085)</u>	<u>-</u>	<u>(98,582)</u>	<u>(31,998)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
533	(11,085)	-	(98,582)	(31,998)
(4,315)	(59,181)	(2,760)	(27,030)	42,452
<u>\$ (3,782)</u>	<u>\$ (70,266)</u>	<u>\$ (2,760)</u>	<u>\$ (125,612)</u>	<u>\$ 10,454</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Revenues</u>	<u>Debt Service</u>		
	<u>4th Avenue</u>	<u>2006 A</u>	<u>GO Special</u>
	<u>Improvement</u>	<u>Refunding</u>	<u>Assessment</u>
	<u>Bond Fund</u>	<u>Bond Fund</u>	<u>Bond Fund</u>
Local property taxes	\$ -	\$ -	\$ 33,641
Special assessments	28,396	2,778	160,772
Intergovernmental revenues	-	-	-
State grants	-	-	-
County grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	-	15,738	14,159
Other revenues	-	-	-
Total revenues	<u>28,396</u>	<u>18,516</u>	<u>208,572</u>
<u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	-	-	-
Airport	-	-	-
Capital outlay:			
Other	52,039	-	-
Debt service:			
Principal retirement	25,000	-	85,400
Interest and fiscal charges	17,904	26,416	29,877
Total expenditures	<u>94,943</u>	<u>26,416</u>	<u>115,277</u>
Excess of revenues over (under) expenditures	<u>(66,547)</u>	<u>(7,900)</u>	<u>93,295</u>
<u>Other Financing Sources</u>			
Operating transfers in	-	1,973	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,973</u>	<u>-</u>
Net change in fund balances	(66,547)	(5,927)	93,295
Fund balance (deficit), January 1, 2007	<u>(12,620)</u>	<u>618,050</u>	<u>145,721</u>
Fund balance (deficit), December 31, 2007	<u>\$ (79,167)</u>	<u>\$ 612,123</u>	<u>\$ 239,016</u>

Hospital Bond Fund	Total Nonmajor Governmental Funds
\$ -	\$ 540,901
-	234,768
-	17,281
-	68,369
-	22,325
-	514,656
-	1,944
-	36,290
-	659,638
-	<u>2,096,172</u>
-	218,602
-	1,037
-	161,957
-	78,907
-	233,081
-	76,495
-	381,861
95,000	358,400
113,261	440,086
<u>208,261</u>	<u>1,950,426</u>
<u>(208,261)</u>	<u>145,746</u>
208,261	340,737
-	(130,503)
<u>208,261</u>	<u>210,234</u>
-	355,980
-	2,678,669
\$ <u>-</u>	\$ <u>3,034,649</u>

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2007

<u>ASSETS</u>	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total Nonmajor Enterprise Funds
<u>Current assets</u>				
Cash and interest-bearing deposits	\$ -	\$ -	\$ 3,898	\$ 3,898
Accounts and accrued interest receivable	490	-	3,670	4,160
Inventories	224	-	-	224
Total current assets	<u>714</u>	<u>-</u>	<u>7,568</u>	<u>8,282</u>
<u>Fixed</u>				
Property, plant, equipment	1,208,150	2,183,281	1,235,145	4,626,576
Less: accumulated depreciation	<u>985,594</u>	<u>555,715</u>	<u>217,527</u>	<u>1,758,836</u>
Net fixed assets	<u>222,556</u>	<u>1,627,566</u>	<u>1,017,618</u>	<u>2,867,740</u>
 Total assets	 <u>\$ 223,270</u>	 <u>\$ 1,627,566</u>	 <u>\$ 1,025,186</u>	 <u>\$ 2,876,022</u>
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Cash deficiency	\$ 27,563	\$ 257,890	\$ -	\$ 285,453
Accounts payable	1,701	1,026	1,822	4,549
Customer deposits	-	-	3,600	3,600
Notes payable within one year	-	-	8,090	8,090
Total current liabilities	<u>29,264</u>	<u>258,916</u>	<u>13,512</u>	<u>301,692</u>
<u>Non-current liabilities</u>				
Accrued vacation and sick	46,526	22,717	-	69,243
Notes payable	-	-	1,144,210	1,144,210
Total non-current liabilities	<u>46,526</u>	<u>22,717</u>	<u>1,144,210</u>	<u>1,213,453</u>
 Total liabilities	 <u>75,790</u>	 <u>281,633</u>	 <u>1,157,722</u>	 <u>1,515,145</u>
<u>Net Assets</u>				
Net Assets:				
Invested in capital assets, net of related debt	222,556	1,627,566	-	1,850,122
Unreserved (deficit)	<u>(75,076)</u>	<u>(281,633)</u>	<u>(132,536)</u>	<u>(489,245)</u>
Total net assets (deficit)	<u>\$ 147,480</u>	<u>\$ 1,345,933</u>	<u>\$ (132,536)</u>	<u>\$ 1,360,877</u>

NONMAJOR ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total Nonmajor Enterprise Funds
<u>Operating revenues</u>				
Facility use and other revenues	\$ 151,952	\$ 95,579	\$ 81,062	\$ 328,593
<u>Operating expense</u>				
Salaries and wages	122,938	127,238	-	250,176
Payroll taxes	15,779	16,231	-	32,010
Employee insurance	11,050	18,983	-	30,033
Supplies and maintenance costs	26,603	11,729	9,663	47,995
Utilities	53,148	28,765	7,536	89,449
Insurance	6,598	6,838	8,107	21,543
Depreciation and amortization	33,266	66,839	35,574	135,679
Other operating expense	56,072	21,186	17,119	94,377
Total operating expense	<u>325,454</u>	<u>297,809</u>	<u>77,999</u>	<u>701,262</u>
Operating income (loss)	<u>(173,502)</u>	<u>(202,230)</u>	<u>3,063</u>	<u>(372,669)</u>
<u>Other revenues</u>				
Local property taxes	162,800	192,775	-	355,575
Contributions/reimbursements	5,500	-	-	5,500
Total other revenues	<u>168,300</u>	<u>192,775</u>	<u>-</u>	<u>361,075</u>
<u>Other charges</u>				
Interest and debt services	-	-	26,509	26,509
Total other charges	<u>-</u>	<u>-</u>	<u>26,509</u>	<u>26,509</u>
Change in net assets	(5,202)	(9,455)	(23,446)	(38,103)
Net assets (deficit), January 1, 2007	196,053	1,371,342	(109,090)	1,458,305
Prior period adjustment	(43,371)	(15,954)	-	(59,325)
Net assets (deficit), December 31, 2007	<u>\$ 147,480</u>	<u>\$ 1,345,933</u>	<u>\$ (132,536)</u>	<u>\$ 1,360,877</u>

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Arena Fund	Multi-Purpose Center Fund
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 151,902	\$ 95,579
Cash payments to suppliers for goods and services	(87,625)	(47,498)
Cash payments to/for employees for services	(146,612)	(155,689)
Other expense	(56,072)	(21,186)
Net cash provided (used) by operating activities	<u>(138,407)</u>	<u>(128,794)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from property taxes	162,800	192,775
Net cash provided by non-capital financing activities	<u>162,800</u>	<u>192,775</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction of capital assets	(7,193)	-
Principal payments on long-term debt	-	-
Interest paid	-	-
Other revenue	5,500	-
Net cash (used) by capital and financing activities	<u>(1,693)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>22,700</u>	<u>63,981</u>
Cash and interest bearing deposits, January 1, 2007	<u>(50,263)</u>	<u>(321,871)</u>
Cash and interest bearing deposits, December 31, 2007	<u>\$ (27,563)</u>	<u>\$ (257,890)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ (173,502)	\$ (202,230)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	33,266	66,839
Changes in assets and liabilities:		
(Increase) decrease in receivables	(50)	-
(Increase) decrease in inventory	17	-
Increase (decrease) in accounts payable	(1,293)	(166)
Increase (decrease) in accrued vacation and sick	3,155	6,763
Net cash provided (used) by operating activities	<u>\$ (138,407)</u>	<u>\$ (128,794)</u>

River Bluff Townhomes	Total Nonmajor Enterprise Funds
\$ 80,092	\$ 327,573
(25,280)	(160,403)
-	(302,301)
(17,119)	(94,377)
<u>37,693</u>	<u>(229,508)</u>
-	355,575
-	<u>355,575</u>
-	(7,193)
(7,672)	(7,672)
(26,509)	(26,509)
-	5,500
<u>(34,181)</u>	<u>(35,874)</u>
3,512	90,193
386	(371,748)
<u>3,898</u>	<u>\$ (281,555)</u>
\$ 3,063	\$ (372,669)
35,574	135,679
(970)	(1,020)
-	17
26	(1,433)
-	9,918
<u>\$ 37,693</u>	<u>\$ (229,508)</u>

DENNIS L. RICK, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants

DENNIS L. RICK, CPA
TISHA S. PAPLOW, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members of
the City Council
City of Windom, Minnesota

We have audited the financial statements of City of Windom, Minnesota as of and for the year ended December 31, 2007 and have issued our report thereon dated June 4, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to 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 Local Government* 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.

The results of our tests indicate that for the items tested, the City of Windom, Minnesota complied with the material terms and conditions of applicable legal provisions.

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

Dennis L. Rick, LTD.

Worthington, Minnesota
June 4, 2008

