

Council Meeting
Tuesday, May 7, 2013
City Council Chambers
7:30 p.m.
AGENDA



Call to Order
Pledge of Allegiance

1. Approval of Minutes
 - Council Minutes–April 11, 12 &16, 2013
2. Consent Agenda
 - Minutes
 - Arena Building Committee – April 15 & 29, 2013
 - Telecommunication Commission – April 16, 2013
 - Community Center Commission – April 22, 2013
 - Utility Commission – April 24 & May 3, 2013
 - License
 - Amplification Permit – Riverfest Committee
 - Correspondence – Lloyd Management
3. Proclamation Recognizing the WAHS Robotics Team
4. Proclamation Years of Service
 - Gene Lovell
 - Mike LaMaack
5. Department Heads
6. Red Rock Rural Water Purchase Agreement – Addendum #1
7. Consumer Confidence Report
8. Request for Street Closure – Riverfest Parade
9. Bond Sales
 - 2013A GO Bond - \$4,510,000
 - 2013B GO Bond - \$625,000
10. Windom Area Hospital Presentation
11. Arena Building Committee Recommendations
 - Budget Request
 - Architect Selection
12. Electric Service Territory Resolution & Agreement



13. Personnel

- Street/Parks Authorization to Advertise
- Water/Wastewater Department Hire
- Response Time Policy
- School Resource Officer

14. Second Reading of an Ordinance Renaming A City Street – Opportunity Drive

15. New Business

16. Old Business

17. Regular Bills

18. Contractor Payment – Airport Hanger Project – Empire Building Construction \$35,464.58

19. Council Concerns

20. Board of Review Reminder - May 13, 2013

21. Adjourn

**Emergency Council Meeting
Windom City Hall, Council Chamber
April 11, 2013**

1. Call to Order:

The meeting was called to order by Mayor Maricle at 12:00 noon.

2. Roll Call:

Mayor: Corey Maricle

Council Members: Dominic Jones

JoAnn Ray

Kelsey Fossing

Brian Cooley

Council Members Absent: Brad Powers

City Staff Present: Steve Nasby, City Administrator; Bruce Caldwell, Streets & Parks Superintendent; Dan Olsen, Telecom Manger; Mike Haugen, Water/Wastewater; Scott Peterson, Police Chief; Marv Grunig, Electric Utility Manager; Brad Bussa, Community Center Director; Ron Schramel, City Attorney and Denise Nichols.

Others Present: Jason Purrington, Cottonwood County Sheriff; Kim Hall, Cottonwood County Emergency Manager; Mark Marcy, Regional Program Coordinator for HSEM; Rahn Larson, Cottonwood County Citizen; Dirk Abraham, KDOM Radio.

3. Pledge of Allegiance:

4. Declaration of Emergency:

Council member Ray introduced the Resolution No. 2013-31, entitled "RESOLUTION DECLARING A STATE OF EMERGENCY" and moved its adoption. The resolution was seconded by Jones and on roll call vote: Aye: Ray, Fossing, Jones and Cooley. Nay: None. Abstain: None. Absent; Powers. Resolution passed 4-0.

Department Heads Provided Status Reports:

Bruce Caldwell, Street Superintendent, reported that the Street Department has been picking up branches and all the department employees have been working a lot of hours. All streets have been plowed as wide as possible. There has been a problem with cars parked on streets that are hindering the snow plowing efforts. On Friday the Street Department will work on removing

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branches dangling from trees and on Saturday they will haul snow. Next week the department will be busy picking up branches. Caldwell indicated that they would collect all branches but those in 8-10 feet lengths would be better for pickup.

The Council questioned extending the April 22nd pick up date to allow additional time for individuals to clean up their yards and place the branches on the curb. Caldwell requested that the Council wait to determine if additional time would be needed for cleanup.

Mike Haugen, Water/Wastewater Superintendent, reported that generators are working at three lift stations. The River Road lift station does not have a generator and services the Country Club Drive area. Haugen believed that the lift station would be good until power is restored.

Marvin Grunig, Electric Utilities Manager, reported that electric power to the entire city was lost a couple of hours ago. The entire Electric Department has been working basically nonstop to fix line and power problems since Tuesday night. The City had transmission coming into the City until about 10:00 a.m. today. There are two major problems the department is working on and include not having transmission and the feeder line to Toro.

Grunig was asked about using generators to power the City. Grunig indicated since two people are needed to operate the generation process, staffing would be an issue. The entire Electric line crew is working on clearing the lines. However, there are so many homes with branches on the lines that they have been unable to keep up. He also noted that continued faults on the lines are not good for the generator. Grunig indicated that the generator will not be turned on until the lines have been cleared. His crew will be working the rest of the day to clear the lines and he anticipates that the lines should all be cleared by later this afternoon. Once the lines are cleared, generation would be turned on and rolling power throughout the city would be initiated. He noted that his crew is trying to work safely and it is difficult with ice and branches falling on them and the equipment they are using.

Dan Olsen, Telecommunications Operation Manager, reported that the NOC is being powered by the standby generator. Phone circuits are working and circuits to the Law Enforcement Center are operational. There may be long distance phone call issues if the power problems continue. Residential phone will be lost if power outage is longer than 8-10 hrs. Telecom will continue to monitor home units.

Scott Peterson, Chief of Police, reported that officers are patrolling streets and reporting downed powers lines. At this time there are no other issues.

Jason Purrington, Cottonwood County Sheriff, reported that South Central Electric has reported numerous poles have snapped and power outages are widespread throughout the entire county. South Central is cautioning everyone that it could take up to 3-4 days to restore power in the rural areas.

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Mayor Maricle questioned the need for emergency shelters and indicated that the Community Center could be used if needed. Marcy noted that there has not been a lot of use of emergency shelters but that could change if power is not restored in the rural areas of the county.

Council member Jones asked Purrington if the County Commissioners would be meeting to declare an emergency. Purrington responded that the County would be holding an emergency meeting on Friday.

Mark Marcy, Regional Program Coordinator for HSEM, told the Council and departments to document everything and keep track of overtime and to take pictures. He would also review FEMA's list for reimbursement of trucks for hauling branches and provide the information to Caldwell.

Jones asked if the City was a member of MNWARN and if the city needs to contact them for assistance. Haugen indicated that currently they did not require any assistance.

Rahn Larson from the Cottonwood County Citizen and Dirk Abraham from KDOM Radio stated that they will provide any assistance needed if there is any info that needs to be released to the public. Larson commented that Citizen Publishing is regularly updating their website.

5. Recess:

Motion by Jones, seconded by Fossing, to recess the Emergency City Council meeting until 5:00 p.m., Friday, April 12, 2013.

Corey Maricle, Mayor

Attest: _____

Steve Nasby, City Administrator

**Reconvened Emergency Council Meeting
Windom City Hall, Council Chamber
April 12, 2013**

1. Call to Order:

The recessed April 11, 2013, Emergency City Council meeting was reconvened by Mayor Maricle at 5:03 p.m.

2. Roll Call:

Mayor: Corey Maricle
Council Members: Dominic Jones
JoAnn Ray
Kelsey Fossing
Brad Powers

Council Members Absent: Brian Cooley

City Staff Present: Bruce Caldwell, Streets & Parks Superintendent; Scott Peterson, Police Chief; Marv Grunig, Electric Utility Manager and Denise Nichols

Others Present: Jason Purrington, Cottonwood County Sheriff; Kim Hall, Cottonwood County Emergency Manager; Mark Marcy, Regional Program Coordinator for HSEM.

3. Pledge of Allegiance

4. Status Reports:

Marvin Grunig, Electric Utilities Manager, reported that electric power is back on for all but one customer. This customer has a major tree problem that will need to be taken care before power can be restored. The Line crew has gone home for the weekend and will deal with issues as they are identified. He reported that there was a minor problem with the incoming transmission line. Crews immediately began working on the problems and got the transmission line up and running with power to Windom.

Mayor Maricle recognized the line crews and commended them for all their work.

Bruce Caldwell, Street Superintendent, reported that the Street Department has hired a company from Springfield, Minnesota, that is licensed and bonded to trim boulevard trees throughout the City. The City is responsible for the boulevard trees and Caldwell wanted to begin the cleanup as soon as possible. Branches are currently being stockpiled at the site behind the liquor store.

Caldwell and City Councilmember Jones met with the County Commissioners and the landfill operator to discuss taking the branches to the County landfill. The landfill operator wanted all the branches chipped. Following a discussion the County Commissioners agreed that the branches did not need to be chipped. The County would burn all the branches that were picked up from the ice storm. The Commissioners discussed landfill road conditions and rates.

Caldwell also informed the Council that he had just received an offer from a local individual to pile the branches on property just outside of the city. The property owner currently holds a permit from MPCA to burn and he would burn the branches after the cleanup was complete. Caldwell noted that the site was much closer to town and would greatly reduce costs and time if the site could be utilized. The Council requested that the property owner provide proof of a burn permit and if a permit is provided, the Council agreed by consensus to use the site for the branch cleanup. Mark Marcy recommended that the property owner needed to contact the Dept. of Natural Resources to obtain a burn permit.

Councilmember Fossing questioned if there could be a drop off site designated for people to bring their branches. He suggested that this would also reduce costs for the cleanup. Councilmember Jones brought up the increased possibility of unacceptable material mixed with the branches at the drop off site. Caldwell suggested that the City Compost Site could be used as a drop off location and personnel could inspect the loads and reject any material that is not acceptable.

Mark Marcy reported that the threshold for statewide damage of \$7.5 Million must be met before the State will receive any federal assistance. Cottonwood County threshold is approximately \$39,000. The electric cooperatives damage will have a large impact towards the \$7.5 Million. Information concerning costs and damage should be submitted to Kim Hall so that paperwork can be submitted for consideration of a Presidential Proclamation. If assistance is received, reimbursement is 75% FEMA and 25% local governments. In the past the State has paid the 25%.

Marcy also suggested that the City take pictures and count trees that have to be removed in the public right of way. Jones suggested videotaping every street in the city this weekend. Ray will make a request on Face Book for individuals take pictures of the damage from the storm and send them to Caldwell.

5. Adjourn:

Mayor Maricle adjourned the Emergency City Council meeting by unanimous consent at 5:37 p.m.

Corey Maricle, Mayor

Attest: _____
Steve Nasby, City Administrator

**Regular Council Meeting
Windom City Hall, Council Chamber
April 16, 2013
7:30 p.m.**

1. Call to Order:

The meeting was called to order by Mayor Maricle at 7:30 p.m.

2. Roll Call:
- | | |
|-------------------------|---|
| Mayor: | Corey Maricle |
| Council Members: | Kelsey Fossing, Dominic Jones, Bradley Powers and JoAnn Ray |
| Council Members Absent: | Brian Cooley |
| City Staff Present: | Steve Nasby, City Administrator; Bruce Caldwell, Streets & Parks Superintendent; Aaron Backman, EDA Director; Al Baloun, Recreation Director and Terry Glidden, Telecom |

3. Pledge of Allegiance

4. Approval of Minutes:

Motion by Jones second by Ray to approve the City Council minutes from April 2, 2013. Motion carried 4 – 0 (Cooley absent).

5. Consent Agenda:

Maricle noted the minutes from the following Boards and Commissions:

- Economic Development Authority – March 11, 2013 and April 8, 2013
- Tree Committee – April 3, 2013
- Library Board – April 9, 2013
- Planning & Zoning Commission – April 9, 2013
- Park & Recreation Commission – April 10, 2013

Motion by Ray second by Fossing to approve the Consent Calendar as presented. Motion carried 4 – 0 (Cooley absent).

6. Department Heads:

Al Baloun, Recreation Director, reminded the public that the City\School\County Surplus Equipment Auction is scheduled for Saturday, April 27 at the Windom Arena. Baloun

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noted that he had three more items to add to the upcoming sale, which were noted on the memorandum that was handed out this evening.

Motion by Powers second by Ray to declare the items identified on the Arena memorandum as surplus and to authorize their sale. Motion carried 4 – 0 (Cooley absent).

Baloun said that registration for Park & Recreation programming and swimming lessons would be held on Thursday, April 18 from 5:00 pm to 6:30 pm at the Windom Community Center.

Bruce Caldwell, Streets & Parks Superintendent, said that the Street crews were working on an initial round of cleaning up the branches and will do a second round after April 22, 2013 which was the date provided to the citizens as to having branches to the curb. The compost site will also offer two or three “free” days for dropping off twigs. Only the twigs will be accepted without a compost pass and the site will be attended to monitor the site. The compost site is scheduled to be opening on Saturday, April 27. The Saturday hours are from 10:00 am to 2:00 pm and then will also be open on Tuesdays from 3:00 pm to 7:00 pm. No bags, boxes or other containers may be left at the site only twigs.

Caldwell said that two private contractors have been hired to assist the City crews with the storm damage. Scott Veenker is helping haul debris from the boulevards and providing a dump site just outside of town. Veenker has all of the permits necessary to accept tree debris and to burn it. The cost for the debris dump is the same as what the County landfill would charge, but the City is saving significant fuel costs because the Veenker site is closer to town. The other private contractor is Ryan’s Tree Service from Springfield, MN. This contractor is focused on getting the dangerous limbs removed from boulevard trees. Caldwell expects this to be completed next week. Caldwell said that he has a contract that will need authorization from the City Council and handed out the contract.

Motion by Ray second by Powers to approve an agreement between Ryan’s Tree Service and the City of Windom as presented. Motion carried 4 – 0 (Cooley absent).

Caldwell noted that it would be 2-3 weeks before the parks are cleaned up due to the crews concentrating on debris clean-up citywide. He asked the public not to park vehicles in front of the debris piles as that will hinder the City’s ability to pick up the debris. He reminded citizens that the deadline for getting items to the curb is April 22 and asked that people not take advantage of this pick-up as it is for storm debris. Last, he said that the rates of reimbursement from FEMA are quite low and we will have to work with the amounts.

Jones asked about a federal designation. Nasby said that there had not been one yet to his knowledge and the State has to incur about \$7.26 million in cost before the federal government will step in. FEMA has not notified Windom of when they may come, but FEMA is scheduled to be in Worthington next week. The City’s Emergency Management person and several Department Heads will be completing the FEMA damage assessment form this week.

Caldwell notified the Council and the public that some of the heavily damaged boulevard trees may need to be completely removed, but this will be a Fall/Winter project. When this is done there will be some useable firewood so interested parties can contact the Street Shop, but it is important to note there needs to be a convenient place to drop off the wood.

7. Public Hearing – Establishment of TIF District No. 1-17:

Aaron Backman, EDA Executive Director and Todd Hagen, Ehlers & Associates introduced themselves.

Backman said that the proposed Tax Increment Financing (TIF) district is for the west half of the North Windom Industrial Park (NWIP) covering Lots 1 – 5 in Block 1. The purpose of the TIF is to reimburse the EDA for its development expenses, repay the debt for a portion of the infrastructure and to repay municipal utilities for costs related to extending water and sewer service. The new TIF was reviewed and financing plan were reviewed and approved by the EDA Commission. This is an economic development TIF that will run for nine years and generate an estimated \$1.1 million for repayments and about \$228,000 in interest. In the budget there is a line for “other related expenses” and this can be used for street construction. The total development cost for the NWIP was \$2.3 million, but State grants paid for some of the costs.

Hagen said the anticipated TIF proceeds are calculated on the proposed future development of the Fast Distributing site in multiple phases and one other lot with a 20,000 square foot building. These projects are not completed yet, so the actual amount of the TIF will not be known until the development occurs. He noted the State has a five year TIF rule for development, which is why the proposed TIF only includes the west half of the NWIP as this is where we expect the first development to occur. If there is development on the east side the TIF district can be amended or a new TIF district created.

Backman said that the Planning & Zoning Commission had also reviewed the proposed TIF for consistency with zoning and the City’s comprehensive plan and are recommending approval.

Backman noted there are three resolutions needed. They are as follows: 1) Adopting the new TIF #1-17 and approving the financing plan; 2) approving TIF proceeds for the inter-fund loan to repay the general obligation bonds on the project and 3) approving TIF process for the inter-fund loan to repay the EDA and City enterprise funds for development costs. None of the TIF monies would be going towards Fast Distribution.

Maricle opened the public hearing on the proposed creation of TIF District No. 1-17 and Financing Plan at 8:01 p.m. Maricle asked if anyone was present to speak to this subject. Seeing no one, Maricle closed the public hearing.

Jones asked if the TIF for the east side can be done now. Hagen said it could be done if there is a project planned in the near future and all that is needed is a TIF modification.

Council member Powers introduced the Resolution No. 2013-32, entitled “RESOLUTION ADOPTING A MODIFCATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 1, AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-17 THEREIN, AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR” and moved its adoption. The resolution was seconded by Jones and on roll call vote: Aye: Powers, Fossing, and Jones. Nay: None. Abstain: Ray. Absent: Cooley. Resolution passed 3 – 0 – 1 - 1.

Council member Fossing introduced the Resolution No. 2013-33, entitled “RESOLUTION AUTHORIZING AN INTERFUND LOAN FROM CITY/EDA FUNDS FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH TAX INCREMENT FINANCING DISTRICT NO. 1-17” and moved its adoption. The resolution was seconded by Jones and on roll call vote: Aye: Jones, Powers and Fossing. Nay: None. Abstain: Ray. Absent: Cooley. Resolution passed 3 – 0 – 1 - 1.

Council member Jones introduced the Resolution No. 2013-34, entitled “RESOLUTION AUTHORIZING AN INTERFUND LOAN FROM G.O. BOND FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH TAX INCREMENT FINANCING DISTRICT NO. 1-17” and moved its adoption. The resolution was seconded by Fossing and on roll call vote: Aye: Fossing, Jones and Powers. Nay: None. Abstain: Ray. Absent: Cooley. Resolution passed 3 – 0 – 1 - 1.

8. North Windom Industrial Park (NWIP):

Change Order #1 – Extension of Commerce Boulevard

Backman said he is requesting a change order for a second extension to Commerce Boulevard consisting of 100 feet of street and 200 feet of water/wastewater. The additional length is needed to access the driveway needed for Block 1, Lot 5 and to provide access to Block 2, Lot 6. The estimated cost is \$29,903 and would be paid for through contingency funds set-aside in the project budget. If this is completed then only Lot 7, Block 2 will be left without access. The EDA Commission has recommended approval of the change order for up to \$30,000 and it makes sense to do this now while the contractor is on-site, which will reduce cost.

Motion by Jones second by Fossing to approve Change Order #1 for Holtmeier Construction for the second extension of Commerce Boulevard. Motion carried 3 – 0 – 1 – 1. (Cooley absent and Ray abstain).

Backman noted that the first invoice for State TED and District 7 funds went out today for about \$407,000 and these are advance funds.

Street Name Change Ordinance

Backman said that the entrance road on the south end of the NWIP was named 410th Street when the parcel was platted. This is a County-style road designation and he feels it should be more in line with municipal street names. This short segment currently only connects to Highway 71 in the NWIP; there are no other continuations of 410th Street. The other streets

in the NWIP are Trotter Court and Commerce Boulevard. The time to make a street name change is now before there is development or the purchase of street identification signs. He has included the State statute covering re-naming streets, which is by ordinance. The EDA reviewed 11 possible names as they are the primary developer of the NWIP. The top two names were "Opportunity Drive" and "Industrial Drive". The recommendation was to rename 410th Street to Opportunity Drive.

Jones asked if the EDA vote was unanimous. Backman said it was a split vote. Jones said he had voted for Industrial Drive. Backman said there had been a healthy discussion at the EDA meeting.

Motion by Jones second by Fossing to approve the first reading of No.141, 2nd Series for renaming 410th Street to Opportunity Drive. Motion carried 3 – 0 -1 – 1. (Cooley absent and Ray abstain).

9. Street Committee Recommendations:

2013 Seal Coat Project

Caldwell said that the storm last week and resulting clean-up will take several weeks out of the Street Department's schedule and that effectively eliminates the time needed to patch the streets that were scheduled for a seal coat. As such, he met with the Street Committee and they are recommending delaying the 2013 seal coating to next year and if necessary use some of those funds to pay for the debris clean-up.

Maricle asked if waiting a year would cause more damage to those streets. Caldwell said it would not cause unusual damage delaying a year.

Jones asked if we are keeping up on the seal coat schedule as envisioned in the maintenance plan. Caldwell said it is close to being on schedule, but we are on the edge as some of the streets are 10 years between a seal coat. Jones asked if the proposed 2013 list for seal coat streets was typical. Caldwell said the number of streets was higher in past years but due to the cost of seal coating they have had to do fewer streets within the same budget.

Motion by Powers second by Ray to postpone the 2013 seal coat project. Motion carried 4 – 0 (Cooley absent).

Jones asked if the 2013 funds for seal coating could be carried over to 2014 if the monies were not spent on clean-up. Nasby said the Council could dedicate the funds at the end of the year or just budget more for 2014 as any leftover 2013 funds go into the General Fund.

2013 Crack Filling Project

Caldwell said that he had budgeted \$8,000 for crack filling as part of the seal coating budget. The Street Committee is recommending that this project be completed as it will be done by an outside vendor and helps to prevent damage from occurring on streets. Caldwell solicited quotes from three vendors, but only one returned the paperwork that was

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Bargen Incorporated. Caldwell said he had measured the cracks so he had a quantity of feet and the price quoted was per foot.

Fossing asked if the price was competitive. Caldwell said he verified the price was fair.

Motion by Powers second by Ray to approve the 2013 crack filling project with Bargen Incorporated for an amount not to exceed \$8,000. Motion carried 4 – 0 (Cooley).

Caldwell informed the Council that the pre-construction meeting for the 2013 Street Project would be held on Friday, April 19, 2013 at 10:00 am in the Council Chamber.

10. Personnel:

Caldwell said that he is requesting approval for his summer, part-time help. The recommendations are Nick Riordan who worked for his Department last summer and Craig Kneeland. Both are college students and could start in mid-May.

Fossing asked if having two part-time seasonal people would be enough due to the on-going clean-up efforts. Caldwell said that he is only planning for the two at this time, but may be considering additional help as the work progresses.

Motion by Powers second by Ray to approve the hiring of Nick Riordan and Craig Kneeland for the Streets & Parks Department part-time seasonal positions. Motion carried 4 – 0 (Cooley absent).

Maricle noted that the Girls' Softball team was at Abby Park helping to pick up tree debris. He and the Council thanked them for the assistance.

Maricle said that there was a memorandum from the Liquor Store Manager recommending the hiring of Christine Zimmer as a part-time liquor store clerk.

Jones asked if the part-time people have a probation period. Nasby said if they have enough hours to qualify for the union then there is that provision in the labor agreement, but if they are not in the union they are "at will" employees and may be terminated at any time.

Motion by Powers second by Ray to approve the hiring of Christine Zimmer as a part-time liquor store clerk. Motion carried 4 – 0 (Cooley absent).

11. Long Range Plan Reports:

Nasby said that the reports in the Council packets cover the period from January 2013 – March 2013 and are status updates from the Long Range Plan the City Council approved in December 2012. This information lets the Council and public know about the activities undertaken to support the goals and objectives set by the City Council.

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Fossing noted that it is great to see these updates.

12. New Business:

Maricle said that there was an application for a Solicitation Permit from Rauch Tree Service. The investigation was completed, but the item was not turned in prior to the Council packet deadline. Given the timeliness of this item the Council considered it.

Motion by Ray second by Jones to approve a Solicitation Permit for Rauch Tree Service. Motion carried 4 – 0 (Cooley absent).

13. Old Business:

None.

14. Regular Bills:

Motion by Ray seconded by Powers, to approve the regular bills. Motion carried 4 – 0 (Cooley absent).

15. Council Concerns:

Jones requested that the Council discuss the Emergency Management position and the expectations for that job.

Ray noted that the Fire Department is doing a house burn on April 17, weather permitting, at 3rd Avenue and 14th Street. She attended the last house burn training session and found it very informative.

Maricle said the training starts at 5:30 pm and the burn for the house would be approximately 7 pm.

Jones asked how the house was selected. Nasby said that the Fire Chief receives requests for house burns and grass fire training, but there are numerous considerations and they can only do a few a year.

Maricle said that the City-wide Clean-up has been scheduled for September 21 and September 28. Information on the clean-up would be forthcoming closer to the dates. He also wanted to thank the City employees for all of their work during the storm and the on-going clean-up. Maricle also thanked citizens for their patience and understanding.

16. Adjourn:

Maricle adjourned the meeting by unanimous consent. Meeting adjourned at 8:40 p.m.

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Corey Maricle, Mayor

Attest: _____
Steve Nasby, City Administrator

Arena Building Committee Meeting
Windom City Council Chambers
April 15, 2013
5:15 p.m.

1. Call to Order:

The meeting was called to order by Chairperson Espenson at 5:19 p.m.

2. Roll Call:

| | |
|---------------------|---|
| Members Present: | Justin Espenson, Joel LaCanne, Donna Dunse, Rick Fredrickson, Damon Weinandt, Leland Thiesen and Kelsey Fossing |
| Members Absent: | JoAnn Ray, Melanie Patterson and Terry Fredin |
| City Staff Present: | Denise Nichols and Al Baloun, Recreation Director |
| Public: | Dirk Abraham |

3. Approval of Minutes:

Motion by Dunse, second by Thiesen, to approve the Arena Building Committee Minutes from March 25, 2013. Motion carried 7 – 0.

4. Sub-Committee Appointments:

Chairperson Espenson requested that each Committee member review the list of sub-committees and select their preference for appointment to a Sub-Committee. Those Committee members absent from the meeting will be asked their preference and will be added to their selected sub-committee list.

Design – Work with architect.

Justin Espenson, Leland Thiesen and Terry Fredin

Finance – Develop Budget, evaluate costs, work with funding including grants and bonding.

Kelsey Fossing, Joel LaCanne and Justin Espenson

Promotion – Promotion of project to the public and user groups.

Rick Fredrickson, Justin Espenson and Donna Dunse.

5. Review Architectural RFP's – Determine Selection Process:

Seven Architectural RFP's were received for the project. The Committee reviewed the RFP's and discussed the rates for services which ranged from \$6,500 to \$45,000. The Committee reviewed the experience included for each of the RFP's. It was agreed by the Committee to conduct two interviews. Each Committee member will select their top two choices and the choices would be tabulated and the overall top two choices would be invited to an interview on April 29th. The Committee requested that City Staff contact the references for the two firms that are selected for an interview.

6. User Group Meetings:

The Committee discussed their expectations and process for the User Group meetings. The Committee agreed that information obtained from the User Groups will assist them in developing designs for the facility. The User Group meeting will be held on Monday, May 6th, at 5:15 p.m. in the City Council Chambers.

The Committee agreed to invite all user groups to one meeting. Each user group should appoint one individual from their organization to provide information and ideas of their groups' needs and uses of the arena. The Committee requested that the meeting be video recorded to allow for future reference by the Committee and the selected architect.

City Staff will contact the User Groups, will invite them to the meeting, and will provide each group with information to assist them in presenting the input the Committee is seeking.

7. Potential Location Sites:

The Committee reviewed the information that was included in their meeting packet including parcel maps and aerial views of three potential locations for the arena. Those sites included the current location of the arena on the fairground property, the Community Center site and the Windom Area High/Middle School property. Fossing questioned if the School was supportive of an arena on the School property. Fredrickson noted that the School Board has not made a decision either way. If the School Board was approached with a proposal, the Board would consider the proposal.

Fredrickson also suggested that the Committee take a serious look at renovation of the current site and hoped that everyone would be open to all possible options if renovation of the current facility is not in the best interest of the City. He requested that the Committee complete due diligence to determine what is in the best interest of the citizens and make the best decision for the community. All Committee members agreed with Fredrickson that the number one consideration is to make decisions based on the best interest of the City and its citizens.

8. Other Business:

Leland Thiesen questioned if funding can only be used for new construction. Espenson explained that during the testimony to the MN House and Senate, the Local Option Sales Tax language was stated very broadly stated as “upgrading Public facilities”. This language created some problems with the Senate; however the House had no issue with the language. The other issue that was noted was the requirement that the funding from the sales tax option must be for a regional use.

Site Visits – The Committee requested that locations for “Site Visits” be discussed and selected at the next meeting following the Architect interviews.

9. Next Meeting Date:

Espenson said that April 29, 2013, at 5:15 pm is the next scheduled meeting date.

10. Adjourn:

Motion by Dunse, second by Fredrickson, and carried to adjourn the meeting at 6:18 p.m.

Justin Espenson, Chair

Arena Building Committee Meeting
Windom City Council Chambers
April 29, 2013
5:15 p.m.

1. Call to Order:

The meeting was called to order by Chairperson Espenson at 5:22 p.m.

2. Roll Call:

Members Present: Justin Espenson, Joel LaCanne, Donna Dunse, Rick Fredrickson, Kelsey Fossing, JoAnn Ray, Melanie Patterson and Terry Fredin

Members Absent: Damon Weinandt and Leland Thiesen

City Staff Present: Steve Nasby, Denise Nichols and Al Baloun, Recreation Director

Public: Dirk Abraham

3. Approval of Minutes:

Motion by LaCanne, seconded by Fredrickson, to approve the Arena Building Committee Minutes from April 15, 2013. Motion carried 8 – 0.

4. Architect Interviews:

The Committee held interviews with the following Architectural firms.

5:15 p.m. - 292 Design Group

6:00 p.m. -- ATS & R

Due to prior commitments, Fredin and Fossing departed the meeting.

6:45 p.m. - Paulsen Architects

5. City Council Architect Recommendation:

Following the interviews, the Committee discussed their observations regarding the presentations including services and costs.

Motion by Fredrickson, seconded by Patterson, to recommend to the City Council the selection of Paulsen Architects to complete the Preliminary Plans and Design phase for the Arena Building Project. Motion carried 5 – 1 (Ray).

6. City Council Budget Request:

The Committee reviewed potential expenses including the cost for the completion of the Preliminary Plans and Design by the selected architect.

The proposed budget is as follows:

| | |
|--|------------------|
| Site Visits | \$ 2,500 |
| Office Expense | \$ 500 |
| Architect – Preliminary Plans and Design | <u>\$ 17,000</u> |
| | \$ 20,000 |

Motion by LaCanne, seconded by Dunse, to request a budget of \$20,000 for current expenses for the Arena Building Committee. Motion carried 6 – 0.

7. Discuss Site Visit Locations:

The Committee discussed site visit locations and determined that five sites would be visited. The sites include All Seasons in Mankato and the arenas in the Cities of Victoria, Redwood Falls, Waconia and Sleepy Eye. The date of Saturday, June 1, 2013, was the tentative date selected to conduct three of the visits. Those visits will include Mankato, Victoria and Waconia. The sites of Redwood Falls and Sleepy Eye will be visited on a separate date yet to be determined.

The Committee requested that City Staff invite the Architect to accompany them during their site visits on June 1st. The selected sites will be contacted by City Staff to coordinate the visits. Committee members will review their calendars to determine if there are any conflicts with the proposed site visit dates and provide information to City Staff.

8. Other Business: None

9. Next Meeting Date:

The next scheduled meeting date is May 6, 2013, at 5:15 pm.

10. Adjourn:

The meeting was adjourned by unanimous consent at 8:25 p.m.

Justin Espenson, Chair

Telecommunications Commission Meeting

April 16th, 2013

11:30 A.M.

I. Call to Order :

No quorum met.

II. Roll Call:

Commissioners Present: Virgil Meier, Wendell Woodcock

Commissioners Absent: Brian Cooley, Forrest Fosheim, Dominic Jones

City Staff: Dan Olsen

III. Tour of Facilities:

Virgil, Wendell and Dan toured the facilities. No quorum met!

Community Center Commission Minutes
Monday April 22, 2013

1. Call to Order: The meeting was called to order by President Wayne Maras at 5:40 p.m.

2. Roll Call:

| | |
|----------------------|--|
| President: | Wayne Maras |
| CC Director: | Brad Bussa |
| Commission Members: | Linda Stuckenbroker-Absent Kelly Woizeschke Mitch Voehl Tom Cowan |
| Commission Liaisons: | Brian Cooley-Absent Bruce Caldwell-Absent Jo Ann Ray-Absent |
| EDA Director: | Aaron Backman |
| Public: | |

3. Approval of Minutes:

Motion by Tom Cowan, seconded by Kelly Woizeschke to approve the March 25, 2013 Community Center Commission Minutes. Motion carried 4-0

4. Additions to the agenda:

- a. Under President's Report- Riverfest Events
- b. Under Director's Report- Chairs

5. Correspondence:

None to report

6. President's Report:

- a. Election of Secretary Tabled until next Meeting.
- b. Mitch Voehl handed out a copy of Riverfest Events stating that Windom Community Center should try to become part of Riverfest Activities. WCC Director Bussa asked about off setting the cost of usage and employee wages. Commission to brainstorm ideas to put on May Agenda.

7. Director's Report:

- a. WCC Director Bussa informed Commission that he is getting approached by groups for the Emergency use of the building for Emergency Situations. Director Bussa stated the Red Cross has a contract with the City for Emergency usage. Commission informed Director Bussa to check with local Law Agencies and

Emergency Management to find out what would happen and who would take over in Emergency Situations.

- b. WCC Director handed out Liquor Policy's which were reviewed –No changes or questions.
- c. WCC Director asked Commission about the possibility of selling and replacing padded upholstery chairs and using income to replace with hard chairs. Due to cleaning and stacking of upholstery chairs, the no padded are more user friendly.
Motion by Tom Cowan, seconded by Mitch Voehl to sell upholstered chairs and replace with comparable non upholstered chairs. Motion carried 4-0.

8. Resource Management:

Schedule of Events: Bookings still coming in

Income & Expense: Check into R and R Event for Future

9. Miscellaneous:

Nothing to Report

10. Open Forum:

Nothing to Report

11. Next Meeting:

Tuesday May 28, 2013 @ 5:30 pm

Adjourn:

Motion by Tom Cowan, seconded by Mitch Voehl, to adjourn the meeting at 6:50pm. Motion carried 4-0.

Wayne Maras, WCC President

, WCC Secretary

Attest: _____
Brad Bussa, WCC Director

UTILITY COMMISSION MINUTES
City Hall, Council Chamber
April 24, 2013

Call Meeting to Order: The Utility Commission meeting was called to order at 10:00 a.m. on April 24, 2013 in the City Hall Council Chamber.

Members Present: Utility Commission Chairperson: Mike Schwalbach

Members Present: Glen Francis and Tom Riordan

Member Absent: None

City Council Liaison: Dominic Jones, Present

Staff Present: Steve Nasby, City Administrator; Marv Grunig, Electric Utility Manager; and Mike Haugen, Water / Wastewater Superintendent; Aaron Backman (EDA Director).

Others Present: Mary and Robert Hanson, Resident and Bob Palmquist, Utilities Plus Energy Services.

APPROVE MINUTES

Motion by Riordan, seconded by Francis, to approve the March 27, 2013, Utility Commission minutes as presented. Motion carried 3 - 0.

WATER/WASTE WATER ITEMS:

VOLUNTARY SPECIAL ASSESSMENT REQUEST

Bob and Mary Hanson signed a voluntary assessment letter for the Highway 60/71 Water Main Relocation project in September 2010. This letter contained the engineer's estimate of the project costs. The project was completed in 2012 and the final assessments unpaid at December 31, 2012 were added to 2013 property tax bills including 5% interest. Mary Hanson informed the Commission that she wished to pay the project cost prior to it being assessed but was never given the total amount or notice to pay. Nasby informed the Commission that with voluntary special assessments, sending a final bill amount is not currently part of the process required by Statute.

The total assessed was final project cost of \$3,200 and \$160 of interest. Mary Hanson is requesting the \$160 interest charged be waived.

The Commission discussed the request and agreed that the final project cost could have been better communicated and that it would be beneficial for all future assessments (voluntary and involuntary) to receive a final bill amount and opportunity to pay before adding to property tax bills.

Motion by Riordan, seconded by Francis, to approve a credit on Hanson's Water bill to offset the \$160 interest charge upon verification of the assessment payoff. Motion carried 3 - 0.

WATER APPROPRIATION FEE PROPOSAL

Haugen directed the Commission members to information in their packet regarding proposed changes to Water Appropriation Fees. The proposal includes substantial fee increases which would go into effect on January 1, 2014 with the first payment being due in 2015 based on reported 2014 usage. These new fees would be used by the DNR to expand and improve its collection and analysis of water level information and ensure compliance with permitted appropriation limits and other appropriation permit conditions.

RRRWS WATER PURCHASE AGREEMENT – SOUTH METER STATION

The Commission reviewed Addendum #1 – Construction of South Meter Station which outlines changes to the Water Purchase Agreement between the City and Red Rock Rural Water System approved in 2013. The Addendum clarifies responsibilities for the construction and payment of the South Meter Station.

Motion by Riordan, seconded by Francis, to recommend approval of Addendum #1 Construction of South Meter Station as presented. Motion carried 3 - 0.

OTHER WATER/WASTEWATER ITEMS

Haugen informed the Commission that 4 bids were received for the 10 acres of Hay Ground. Haugen recommended awarding ground to the high bidder which was Justin Freking at a rate of \$1,400/year for five years 2013-2017.

Motion by Riordan, seconded by Francis, to accept the high bid as recommended. Motion carried 3 - 0.

Haugen discussed the candidates for the Water/Wastewater Operator position. He rated the applications using a standard point system and interviewed the top three candidates. Haugen recommended Ryan Anderson be offered the position at Step 8 in the pay scale. The Commission discussed concern with the recommended candidate being able to meet on call/emergency response time required by past practice of the department based on his current residence.

Motion by Riordan, seconded by Francis, to offer the position to the recommended candidate at step 8 with the condition that the candidate relocates within the reasonable response time area dictated by department past practice within the 6 month probationary period. Motion carried 3 - 0.

If the candidate does not accept the position, Haugen is to contact Commission members with his next recommendation for the position.

Haugen also informed the Commission he is looking into purchasing a well generator.

ELECTRIC ITEMS:

NESHAP RICE - GENERATOR EMISSIONS IMPROVEMENTS (PLANS & SPECS)

Bob Palmquist, Utilities Plus Energy Services presented to the Commission the preliminary plans/specifications for the Generator Emissions Improvement project. The Commission discussed setting the bid opening time and date. Palmquist explained that since the budget for the project is \$200,000 it is required to advertise for bids in the local paper at least 10 days prior to bid opening. In addition to advertising locally, Utilities Plus Energy Services will send notice to selected contractors. The final plans and specs are available to contractors electronically or hard copy by contacting the office of Utilities Plus Energy Services. The Commission set bid opening for May 29th at 9:00 a.m. with the plan to have a recommendation to Council at the June 4th meeting.

SOUTH CENTRAL ELECTRIC ASSOCIATION (SCEA)- NORTH WINDOM INDUSTRIAL PARK (NWIP)

Grunig and Backman updated the Commission on further developments with SCEA regarding the Electric Service Agreement and the USDA loan guarantee program for Fast Distributing. Grunig distributed a proposed Electric Service Agreement that would allow the current 1994 Standstill Agreement to remain in effect for the remaining balance of its term while entering into a separate agreement providing SCEA the exclusive right to service the NWIP for a period of fifteen years or for so long as SCEA is obligated on the Fast Distributing EDA loan or any future EDA loans to businesses in the NWIP, whichever is longer. The 80 acres adjoining the industrial park to the south would not be covered under the new agreement but would remain covered by the 1994 Standstill agreement.

Motion by Riordan, seconded by Francis, to proceed with the proposal by South Central Electric Association, subject to review of proposal by the City Attorney. Motion carried 3 - 0.

REGULAR BILLS

Motion by Riordan, seconded by Francis, to approve the regular bills as presented. Motion carried 3 - 0.

OLD BUSINESS

None.

NEW BUSINESS

The next regularly scheduled Utility Commission meeting will be held on May 29 at 10:00 a.m. The meeting was adjourned by unanimous consent at 12:05 a.m.

Mike Schwalbach, Chairperson

Attest: _____
Steve Nasby, City Administrator

UTILITY COMMISSION MINUTES
City Hall, Council Chamber
May 3, 2013

Call Meeting to Order: The Utility Commission meeting was called to order at 10:00 a.m. on May 3, 2013 in the City Hall Council Chamber.

Members Present: Utility Commission Chairperson: Mike Schwalbach

Members Present: Tom Riordan

Member Absent: Glen Francis

City Council Liaison: Dominic Jones, Absent

Staff Present: Marv Grunig, Electric Utility Manager; Mike Haugen, Water / Wastewater Superintendent; Randy Lyons, Wastewater Foreman; Chelsie Carlson, Finance Director/Controller

Others Present: None.

APPROVE MINUTES

Motion by Riordan, seconded by Schwalbach, to approve the April 24, 2013, Utility Commission minutes as presented. Motion carried 2 - 0.

WATER/WASTE WATER ITEMS:

REASONABLE RESPONSE TIME

Haugen informed the Commission that the Personnel Committee discussed reasonable response time with Department Heads and recommended that each department define their own reasonable response time based on department needs. Haugen presented research regarding Water & Wastewater response times for surrounding areas showing 20 to 30 minutes as being common. Haugen recommended setting 30 minutes as the reasonable response time for the Water and Wastewater Departments. He believes this would be adequate and also communicated to the Commission that the current staff is good about communicating and working together so emergency situations are handled timely.

Motion by Riordan, seconded by Schwalbach to set reasonable response time for the Water and Wastewater Departments at 30 minutes. Motion carried 2 - 0.

OTHER WATER/WASTEWATER ITEMS

Haugen presented a picture to the Commission showing a pinhole leak in a raw water line in Well House 8 that was recently repaired. Haugen and staff believe the leak is the result of bad casting and future leaks are likely. Haugen informed the Commission he is getting a quote to replace 225 feet of pipe to correct the issue.

ELECTRIC ITEMS:

OTHER ELECTRIC ITEMS:

Grunig informed the Commission the Council will be discussing soliciting contributions from the Hospital to the General Fund as the Electric and Liquor departments have been doing for many years. Grunig explained that since the Hospital is a city owned building, they are receiving the Municipal rate instead of the Industrial demand rate for Electric billing. Grunig presented figures from the last 12 months showing the Hospital savings from the lower rate at approximately \$5,000. The Commission also discussed the past loans to the Hospital from the city that were later forgiven.

Grunig also suggested to the Commission that they consider the possibility of assisting the General Fund with the real costs of the ice storm cleanup if FEMA dollars are not received. The Commission is in favor of discussing in the future if necessary.

REGULAR BILLS

None

OLD BUSINESS

None.

NEW BUSINESS

The Commission discussed reasonable response time for the Electric Department. Grunig recommended the response time be set at 15 minutes for the Electric Department.

Motion by Riordan, seconded by Schwalbach to set reasonable response time for the Electric Department at 15 minutes. Motion carried 2 - 0.

The next regularly scheduled Utility Commission meeting will be held on May 29 at 10:00 a.m.

The meeting was adjourned by unanimous consent at 10:30 a.m.

Mike Schwalbach, Chairperson

Attest: _____
Steve Nasby, City Administrator

Denise Nichols

From: Damon Weinandt <windomchamber@windomnet.com>
Sent: Wednesday, April 24, 2013 2:35 PM
To: denise@windom-mn.com; wineda@windom-mn.com
Subject: Permit Application for use of Amplification Equipment in Public

Date of Event

06/08/2013

Location of Event

Courthouse Square

Start Time

07:30 am

End Time

10:30 pm

Type of Event

Riverfest Celebration

Applicant Information

Applicant Name

Damon Weinandt

Address

303 9th Street
Windom, Minnesota 56101
United States
[Map It](#)

Phone

(507)831-2752

Email

windomchamber@windomnet.com

License Fee - None \$0.00

Street/Park Superintendent Recommends

Approval Denial

B. Caldwell by DA

Street/Park Superintendent

Application APPROVED this _____ day of _____, 20_____.

Application DISAPPROVED this _____ day of _____, 20_____.

Police Chief Recommends

Approval Denial

Scott Peter, chief

Police Chief

City Council



Lloyd Management, Inc.
135 West Lind Street
P.O. Box 1000
Mankato, MN 56002-1000

Phone: 507.625.5573
Toll Free: 888.625.5573
Fax: 507.388.8452
lloydmanagementinc.com

April 26, 2013

To Whom It May Concern:

We would like to thank you for going around and picking up all the branches from our recent ice storm. We know you did not have to do that. What a terrific service you provided for us all. You probably don't hear it enough but you truly are appreciated.

Sincerely,

A handwritten signature in cursive script that reads 'Marlys Molitor'.

Marlys Molitor
Resident Manager
Windom Apartments

RESOLUTION # 2013-

INTRODUCED:

SECONDED:

VOTED: Aye:

Nay:

Absent:

**A RESOLUTION RECOGNIZING THE
2012-13 WINDOM EAGLES ROBOTICS TEAM**

WHEREAS, the 2012-13 Windom Eagles Robotics Team participated in the 2013 VEX Robotics World Championships and have represented their schools and communities admirably; and

WHEREAS, the team finished the qualification rounds in the 2013 VEX Robotics World Championships with a record of 9-1 and finished as the No. 4 seed in the Arts Division.

WHEREAS, the team members have put forth their best efforts in state and world championship tournament competitions; they have acted in a sportsmanlike manner and upheld the honor of their schools; and

WHEREAS, the team members and coaches of the 2012-13 Windom Eagles Robotics Team deserve the support and the congratulations of the community.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WINDOM, MINNESOTA, AS FOLLOWS:

1. That the 2012-13 Windom Eagles Robotics Team, coaches, and parents of the participating individuals are commended for their successful season in 2012-13.
2. The City Administrator is authorized and directed to incorporate this Resolution in the City's official records and present a copy to the Windom Area School District as evidence of the admiration and gratitude of the City of Windom.

Adopted this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest: _____

Steve Nasby, City Administrator

RESOLUTION #2013-

INTRODUCED:

SECONDED:

VOTED: Aye:

Nay:

Absent:

**A RESOLUTION EXPRESSING SINCERE APPRECIATION TO
GENE LOVELL FOR HONORABLE AND DEVOTED PUBLIC SERVICE
TO THE CITY OF WINDOM, MINNESOTA**

WHEREAS, the City of Windom wishes to express grateful recognition and appreciation to **GENE LOVELL** for his untiring and valuable service for the City of Windom faithfully rendered for twenty-two years as a Fireman.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF WINDOM, MINNESOTA, AS FOLLOWS:

1. The City Council, on behalf of its members, City officials, employees of the City of Windom, and the citizens of this community extends to **GENE LOVELL** its expressions of appreciation for serving the City well, and its best wishes for good health, success and prosperity in the years to come.

2. That a copy of this resolution be incorporated in the official records of the City Council of the City of Windom and a copy presented to Gene Lovell.

Adopted this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest: _____
Steven Nasby, City Administrator

RESOLUTION #2013-

INTRODUCED:

SECONDED:

VOTED: Aye:

Nay:

Absent:

**A RESOLUTION EXPRESSING SINCERE APPRECIATION TO
MIKE LAMAACK FOR HONORABLE AND DEVOTED PUBLIC SERVICE
TO THE CITY OF WINDOM, MINNESOTA**

WHEREAS, the City of Windom wishes to express grateful recognition and appreciation to **MIKE LAMAACK** for his untiring and valuable service for the City of Windom faithfully rendered for twenty years as a Fireman.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
WINDOM, MINNESOTA, AS FOLLOWS:**

1. The City Council, on behalf of its members, City officials, employees of the City of Windom, and the citizens of this community extends to **MIKE LAMAACK** its expressions of appreciation for serving the City well, and its best wishes for good health, success and prosperity in the years to come.

2. That a copy of this resolution be incorporated in the official records of the City Council of the City of Windom and a copy presented to Mike Lamaack.

Adopted this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest: _____

Steven Nasby, City Administrator

April Snow & Ice Storm Street Cleanup Only

| | | Our Rates | Fema Rates |
|------------------------|--|---------------------|--------------------|
| \$17.53 average per/hr | 610 hours | \$10,693.30 | \$10,693.30 |
| \$26.29 average per/hr | 109 1/4 hours | \$2,872.18 | \$2,872.18 |
| | | \$64,017.50 | \$22,281.00 |
| | | \$21,140.00 | \$21,143.00 |
| | 204 loads | \$6,140.00 | \$6,140.00 |
| | 288 loads | \$2,880.00 | \$2,880.00 |
| | Fuel Est for 13 days of hauling all City Street Dept Units | \$9,600.00 | \$9,600.00 |
| | Ryans Tree Service | \$5,811.33 | \$5,811.33 |
| | | \$123,154.31 | \$81,420.81 |

Estimated Street Dept Totals

Does not include Parks

Dated: April 2, 2013

Addendum #1 -- Construction of South Meter Station

The City of Windom ("City") and Red Rock Rural Water System ("RRRWS") hereby make the following changes to the Water Purchase Agreement ("Agreement") between the parties which was approved by both the City and RRRWS in 2013;

Paragraph 6 of the Agreement is hereby deleted in its entirety and is replaced as follows:

"6. Construction of South Meter Station

- A. RRRWS shall construct a meter station near the intersection of 440th Street and 6th Avenue in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of 35-105N-36W, Cottonwood County, Minnesota. The exact location of the meter station shall be determined by the City.
- B. The meter station shall consist of an approximate 8 foot x 10 foot building, meter, pumps, pipes and all ancillary equipment necessary to operate a standard meter station. All designs and specifications shall be approved by the City with consultation by RRRWS. The meter station shall be completed by 5:00 p.m. on July 31, 2013.

Any employee of the City, as well as any other individual the City directs shall have the right to inspect the water meter station during its construction to verify it is being built pursuant to designs and specifications. The City shall be solely responsible for all costs related to the inspection.

- C. The City shall pay RRRWS \$30,000.00 to construct the meter station. If the cost to construct the meter station exceeds \$30,000.00, RRRWS shall be solely and exclusively responsible to pay all costs in excess of \$30,000.00. RRRWS shall invoice the City for its costs to construct the meter station by no later than July 31, 2013.
- D. The \$30,000.00 cost to construct the meter station shall be added to the water rate shown in paragraph 3 of this Agreement. Said capital cost will be charged to RRRWS over a 10-year period at the rate of \$250.00 per month. If this Agreement is terminated, and at the time it is terminated, RRRWS has not fully paid for the South Meter Station, City shall deduct all of the payments provided by RRRWS from the sum of \$30,000.00 and RRRWS shall pay the balance to City within sixty (60) calendar days of the date this Agreement was terminated.
- E. The City shall at all times be deemed the owner of the South Meter Station and be responsible for all operational and maintenance costs.
- F. If RRRWS installs a SCADA monitoring system or communications system(s) to the South Meter Station it shall be at RRRWS sole cost and expense. In addition, RRRWS shall be responsible for all operational and maintenance cost of the SCADA and/or communication system(s)."

- G. City shall permit RRRWS reasonable access to the South Meter Station.
- H. Notwithstanding any other terms of this Addendum to the contrary, City shall not be obligated to provide RRRWS with water, and RRRWS shall not be required to accept water from City prior to August 1, 2013.
- I. The current water rates between City and RRRWS shall remain unchanged through July 31, 2013.

Except as herein modified all other terms and conditions of the Agreement shall remain in full force and effect.

City of Windom

Dated: _____

Corey Maricle, in his capacity as
Mayor of the City of Windom

Dated: _____

Mike Schwalbach, in his capacity as
Chairman of the Windom Public
Utility Commission

Dated: _____

Steve Nasby, in his capacity as
Windom City Administrator

RRRWS

Dated: 4-16-2013

Jay Mickelson
Jay Mickelson, in his capacity as
Chairman of the Red Rock Rural
Water System Board of
Commissioners

Dated: 4-16-2013

Glen Friedrich
Glen Friedrich, in his capacity as
Secretary of the Red Rock Rural
Water System Board of
Commissioners

CONSUMER CONFIDENCE REPORT

PWSID: 1170006

City of Windom 2012 Drinking Water Report

The City of Windom is issuing the results of monitoring done on its drinking water for the period from January 1 to December 31, 2012. The purpose of this report is to advance consumers' understanding of drinking water and heighten awareness of the need to protect precious water resources.

Source of Water

The City of Windom provides drinking water to its residents from a groundwater source: eight wells ranging from 87 to 142 feet deep, that draw water from the Quaternary Buried Artesian and Quaternary Water Table aquifers.

The water provided to customers may meet drinking water standards, but the Minnesota Department of Health has also made a determination as to how vulnerable the source of water may be to future contamination incidents. If you wish to obtain the entire source water assessment regarding your drinking water, please call 651-201-4700 or 1-800-818-9318 during normal business hours. Also, you can view it on line at www.health.state.mn.us/divs/eh/water/swp/swa.

Call 507-831-6138 if you have questions about the City of Windom drinking water or would like information about opportunities for public participation in decisions that may affect the quality of the water.

Results of Monitoring

No contaminants were detected at levels that violated federal drinking water standards. However, some contaminants were detected in trace amounts that were below legal limits. The table that follows shows the contaminants that were detected in trace amounts last year. (Some contaminants are sampled less frequently than once a year; as a result, not all contaminants were sampled for in 2012. If any of these contaminants were detected the last time they were sampled for, they are included in the table along with the date that the detection occurred.)

Key to abbreviations:

MCLG—Maximum Contaminant Level Goal: The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

MCL—Maximum Contaminant Level: The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.

MRDL—Maximum Residual Disinfectant Level.

MRDLG—Maximum Residual Disinfectant Level Goal.

AL—Action Level: The concentration of a contaminant which, if exceeded, triggers treatment or other requirement which a water system must follow.

90th Percentile Level—This is the value obtained after disregarding 10 percent of the samples taken that had the highest levels. (For example, in a situation in which 10 samples were taken, the 90th percentile level is determined by disregarding the highest result, which represents 10 percent of the samples.) Note: In situations in which only 5 samples are taken, the average of the two with the highest levels is taken to determine the 90th percentile level.

CONSUMER CONFIDENCE REPORT

PWSID: 1170006

ppm—Parts per million, which can also be expressed as milligrams per liter (mg/l).

ppb—Parts per billion, which can also be expressed as micrograms per liter (µg/l).

N/A—Not Applicable (does not apply).

| Contaminant (units) | MCLG | MCL | Level Found | | Typical Source of Contaminant |
|------------------------------------|------|------|--------------|------------------|---|
| | | | Range (2012) | Average /Result* | |
| Barium (ppm) (07/14/2009) | 2 | 2 | N/A | .22 | Discharge of drilling wastes; Discharge from metal refineries; Erosion of natural deposits. |
| Fluoride (ppm) | 4 | 4 | 1.1-1.3 | 1.23 | State of Minnesota requires all municipal water systems to add fluoride to the drinking water to promote strong teeth; Erosion of natural deposits; Discharge from fertilizer and aluminum factories. |
| Haloacetic Acids (HAA5) (ppb) | 0 | 60 | N/A | 20.4 | By-product of drinking water disinfection. |
| Nitrate (as Nitrogen) (ppm) | 10.4 | 10.4 | N/A | 1.4 | Runoff from fertilizer use; Leaching from septic tanks, sewage; Erosion of natural deposits. |
| TTHM (Total trihalomethanes) (ppb) | 0 | 80 | N/A | 40.3 | By-product of drinking water disinfection. |

*This is the value used to determine compliance with federal standards. It sometimes is the highest value detected and sometimes is an average of all the detected values. If it is an average, it may contain sampling results from the previous year.

| Contaminant (units) | MRDLG | MRDL | **** | ***** | Typical Source of Contaminant |
|---------------------|-------|------|--------|-------|--|
| Chlorine (ppm) | 4 | 4 | .1-2.2 | 1.2 | Water additive used to control microbes. |

****Highest and Lowest Monthly Average.

*****Highest Quarterly Average.

| Contaminant (units) | MCLG | AL | 90% Level | # sites over AL | Typical Source of Contaminant |
|---------------------|------|-----|-----------|-----------------|---|
| Copper (ppm) | 1.3 | 1.3 | 1.21 | 1 out of 20 | Corrosion of household plumbing systems; Erosion of natural deposits. |
| Lead (ppb) | 0 | 15 | 2 | 0 out of 20 | Corrosion of household plumbing systems; Erosion of natural deposits. |

If present, elevated levels of lead can cause serious health problems, especially for pregnant women and young children. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing. City of Windom is responsible for providing high quality drinking water, but cannot control the variety of materials used in plumbing components. When your water has been sitting for several hours, you can minimize the potential for lead exposure by flushing your tap for 30 seconds to 2 minutes before using water for drinking or cooking. If you are concerned about lead in your water, you may wish to

CONSUMER CONFIDENCE REPORT

PWSID: 1170006

have your water tested. Information on lead in drinking water, testing methods, and steps you can take to minimize exposure is available from the Safe Drinking Water Hotline or at <http://www.epa.gov/safewater/lead>.

Monitoring may have been done for additional contaminants that do not have MCLs established for them and are not required to be monitored under the Safe Drinking Water Act. Results may be available by calling 651-201-4700 or 1-800-818-9318 during normal business hours.

Compliance with National Primary Drinking Water Regulations

The sources of drinking water (both tap water and bottled water) include rivers, lakes, streams, ponds, reservoirs, springs, and wells. As water travels over the surface of the land or through the ground, it dissolves naturally-occurring minerals and, in some cases, radioactive material, and can pick up substances resulting from the presence of animals or from human activity.

Contaminants that may be present in source water include:

Microbial contaminants, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.

Inorganic contaminants, such as salts and metals, which can be naturally-occurring or result from urban stormwater runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming.

Pesticides and herbicides, which may come from a variety of sources such as agriculture, urban stormwater runoff, and residential uses.

Organic chemical contaminants, including synthetic and volatile organic chemicals, which are by-products of industrial processes and petroleum production, and can also come from gas stations, urban stormwater runoff, and septic systems.

Radioactive contaminants, which can be naturally-occurring or be the result of oil and gas production and mining activities.

In order to ensure that tap water is safe to drink, the U. S. Environmental Protection Agency (EPA) prescribes regulations which limit the amount of certain contaminants in water provided by public water systems. Food and Drug Administration regulations establish limits for contaminants in bottled water which must provide the same protection for public health.

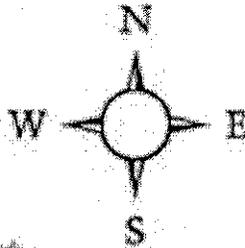
Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's Safe Drinking Water Hotline at 1-800-426-4791.

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. EPA/CDC guidelines on appropriate means to lessen the risk of infection by Cryptosporidium and other microbial contaminants are available from the Safe Drinking Water Hotline at 1-800-426-4791.

WINDOM

June 8th, 2013

2013 New Parade Route



— Barricades
 — Parade Route

POINTS OF INTEREST

- AP Abby Park
- MS Area Central School
- Ch Chamber of Commerce
- CH City Hall, Library, Fire Hall
- CC Cottonwood County Courthouse
- CL Cottonwood Lake Park
- LE County Law Enforcement Center
- FA Fairgrounds, Arena
- HE Highland Elementary School
- H Hospital
- IP Industrial Parks (3)
- ISP Island Park
- JP Jen Park
- KK Kastle Kingdom Park
- LF Legion Field
- SP Municipal Swimming Pool
- PO Post Office, County Historical Museum
- HS Windom Area High School
- GC Windom Golf Club
- WE Winfair Elementary School

CHURCHES

- 1 American Lutheran Church, ELCA
- 2 Assembly of God
- 3 Church of the Good Shepherd Episcopal
- 4 Community Bible Church
- 5 Evangelical Free Church
- 6 First Baptist
- 7 First Presbyterian
- 8 First United Methodist
- 9 Lasting Joy
- 10 Living Word Lutheran Church, AALC
- 11 Lutheran Church of Our Savior
- 12 St. Francis Xavier Catholic Church
- 13 Windom Seventh Day Adventist





Dear Elected Official:

At your direction, we have prepared the enclosed preliminary Official Statement describing this financial transaction, which must meet the Securities and Exchange Commission disclosure requirements. This Official Statement is also being distributed to potential bidders who will rely on the contents of this document in assessing the security of this issue before submitting their bid.

The resolution you will consider when you award the sale of this offering to the successful bidder will ask you to approve the contents of this Official Statement by designating it as the "Final Official Statement".

"A Pocket Guide for Elected and Other Public Officials" prepared by the National League of Cities; National Association of Counties; National Association of State Auditors, Comptrollers, and Treasurers; and the Government Finance Officers Association with input from the Securities and Exchange Commission recommends that municipal officials ask the following questions of outside professionals who produce disclosure documents for the sale of municipal obligations.

1. *What is the nature or scope of the written opinion or certification, if any, that you are giving in this transaction and relating to the disclosure document? Have we given you access to the information you need?*
2. *Have you explained to us all aspects of the structure or nature of this transaction so that you are confident we fully understand all critical aspects? Does our official statement adequately address any concerns you have about this transaction that a reasonable investor would consider important?*
3. *Are there any matters regarding your participation in this transaction about which you should make us aware, including potential conflicts of interest?*
4. *Has your review of the relevant financial documents and other materials, including the official statement, raised any concerns regarding this borrowing? Do these concerns need to be disclosed?*
5. *Are you aware of any circumstances in which we, our staff, or others have not complied with our procedures so that we can make sure that our official statement adequately and accurately describes this situation?*

On the day of the bond sale, we request that a staff person familiar with the bond project is available by phone for the hour immediately after bids are taken for follow-up discussions.

We hope Ehlers has answered these questions prior to or within this document. If not, please feel free to contact us. Please review the contents of the Official Statement, and let us know *within one week* if any changes are necessary to this Official Statement.

Yours truly,

EHLERS



Minnesota
Offices also in Wisconsin and Illinois

phone 651-697-8500
fax 651-697-8555
toll free 800-552-1171

www.ehlers-inc.com

3060 Centre Pointe Drive
Roseville, MN 55113-1122

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel, the Series 2013A Bonds and the Series 2013B Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax. Interest on the Series 2013A Bonds and the Series 2013B Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; it should be noted, however, that for purposes of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings.

The Issuer will designate the Series 2013A Bonds and the Series 2013B Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issues

Rating Application Made: Standard & Poor's

**(State of Minnesota Credit Enhancement Program - Series 2013A Bonds)
PRELIMINARY OFFICIAL STATEMENT DATED APRIL 25, 2013**

**CITY OF WINDOM, MINNESOTA
(Cottonwood County)**

**\$4,510,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2013A
\$625,000** GENERAL OBLIGATION BONDS, SERIES 2013B**

PROPOSAL OPENING: May 7, 2013, 11:00 A.M., C.T.

CONSIDERATION: May 7, 2013, 7:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$4,510,000 General Obligation Improvement Bonds, Series 2013A (the "Series 2013A Bonds") are being issued by the City of Windom, Minnesota (the "City"), pursuant to Minnesota Statutes, Chapters 429 and 475, for the purpose of financing various street and utility improvements within the City. The \$625,000 General Obligation Bonds, Series 2013B (the "Series 2013B Bonds") are being issued by the City, pursuant to Minnesota Statutes, Chapters 429 and 475, and Sections 410.32 and 412.301, for the purpose of financing the acquisition of capital equipment and improvements in the North Windom Industrial Park. The Series 2013A Bonds and the Series 2013B Bonds are general obligations of the City, for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of approving legal opinions of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

SERIES 2013A BONDS

DATE OF SERIES 2013A BONDS: June 4, 2013

MATURITY: February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|------|-----------|------|-----------|------|-----------|
| 2015 | \$210,000 | 2022 | \$230,000 | 2029 | \$270,000 |
| 2016 | 215,000 | 2023 | 230,000 | 2030 | 180,000 |
| 2017 | 220,000 | 2024 | 245,000 | 2031 | 185,000 |
| 2018 | 225,000 | 2025 | 245,000 | 2032 | 195,000 |
| 2019 | 230,000 | 2026 | 250,000 | 2033 | 195,000 |
| 2020 | 230,000 | 2027 | 260,000 | 2034 | 205,000 |
| 2021 | 230,000 | 2028 | 260,000 | | |

ADJUSTMENT: * See "Adjustment Option" herein.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2014 and semiannually thereafter.

REDEMPTION: Series 2013A Bonds maturing February 1, 2022 and thereafter are subject to call for prior redemption on February 1, 2021 and any date thereafter, at par.

MINIMUM PROPOSAL: \$4,464,900

GOOD FAITH DEPOSIT: \$90,200

PAYING AGENT: Bond Trust Services Corporation, Roseville, MN

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

SERIES 2013B BONDS

DATE OF SERIES 2013B BONDS: June 4, 2013

MATURITY: February 1 as follows:

| Year | Amount** | Year | Amount** |
|------|----------|------|----------|
| 2015 | \$65,000 | 2020 | \$70,000 |
| 2016 | 65,000 | 2021 | 70,000 |
| 2017 | 65,000 | 2022 | 75,000 |
| 2018 | 70,000 | 2023 | 75,000 |
| 2019 | 70,000 | | |

ADJUSTMENT: ** See "Adjustment Option" herein.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2014 and semiannually thereafter.

REDEMPTION: Series 2013B Bonds maturing February 1, 2022 and thereafter are subject to call for prior redemption on February 1, 2021 and any date thereafter, at par.

MINIMUM PROPOSAL: \$615,625

GOOD FAITH DEPOSIT: \$12,500

PAYING AGENT: Bond Trust Services Corporation, Roseville, MN

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Series 2013A Bonds and Series 2013B Bonds, as defined in S.E.C. Rule 15c2-12.

www.ehlers-inc.com



Minnesota
Offices also in Wisconsin and Illinois

phone 651-697-8500
fax 651-697-8555

3060 Centre Pointe Drive
Roseville, MN 55113-1122

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of these Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement except as described herein and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers, payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential customers. Its primary purpose is to disclose information regarding these Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the City as well as to prospective bidders for an objective review of its disclosure. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

Final Official Statement: Upon award of sale of these Bonds, the Preliminary Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in the Rule. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which these Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of these Bonds, the purchaser (underwriter) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of these Bonds and all times subsequent thereto up to and including the time of the delivery of these Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for these Bonds; (3) a certificate evidencing the due execution of these Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of these Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of these Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of these Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

| | | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Corey Maricle | Mayor | January 2017 |
| Brian Cooley | Council Member | January 2017 |
| Kelsey Fossing | Council Member | January 2015 |
| Dominic Jones | Council Member | January 2015 |
| Bradley Powers | Council Member | January 2015 |
| JoAnn Ray | Council Member | January 2017 |

ADMINISTRATION

Steven Nasby, City Administrator
Chelsie Carlson, Finance Director

PROFESSIONAL SERVICES

Schramel Law Office, City Attorney, Windom, Minnesota

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota

Ehlers & Associates, Inc., Financial Advisors, Roseville, Minnesota
(Other offices located in Brookfield, Wisconsin and Lisle, Illinois)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Windom, Minnesota (the "City") and the issuance of its \$4,510,000 General Obligation Improvement Bonds, Series 2013A (the "Series 2013A Bonds") and \$625,000 General Obligation Bonds, Series 2013B (the "Series 2013B Bonds"), collectively referred to herein as the "Bonds." Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the forms of the Series 2013A Bonds and the Series 2013B Bonds to be included in the resolutions authorizing the sale of the Series 2013A Bonds and the Series 2013B Bonds to be adopted by the City Council on May 7, 2013.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Financial Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Financial Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

THE SERIES 2013A BONDS

GENERAL

The Series 2013A Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 4, 2013. The Series 2013A Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2014, to the registered owners of the Series 2013A Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).** All Series 2013A Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser the Series 2013A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Series 2013A Bonds are held under the book-entry system, beneficial ownership interests in the Series 2013A Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Series 2013A Bonds shall be made through the facilities of DTC and its Participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Series 2013A Bonds shall be payable as provided in the resolution awarding the sale of the Series 2013A Bonds.

The City has selected Bond Trust Services Corporation ("BTSC"), Roseville, Minnesota, to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, Series 2013A Bonds maturing on or after February 1, 2022 shall be subject to redemption prior to maturity on February 1, 2021 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Series 2013A Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Series 2013A Bonds to be redeemed shall be at the discretion of the City. If only part of the Series 2013A Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Series 2013A Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Series 2013A Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 429 and 475, for the purpose of financing various street and utility improvements within the City.

ESTIMATED SOURCES AND USES

| | | |
|----------------------------------|--------------------|--------------------|
| Sources | | |
| Par Amount of Series 2013A Bonds | <u>\$4,510,000</u> | |
| Total Sources | | \$4,510,000 |
| Uses | | |
| Project Costs | \$4,360,441 | |
| Capitalized Interest | 58,938 | |
| Discount Allowance | 45,100 | |
| Finance Related Expenses | 41,000 | |
| Contingency | <u>4,521</u> | |
| Total Uses | | \$4,510,000 |

SECURITY

The Series 2013A Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Series 2013A Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Series 2013A Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Series 2013A Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A+" by Standard & Poor's Ratings Services ("Standard & Poor's"). The City will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Standard & Poor's. Standard & Poor's has a policy which assigns a minimum rating of "AA+" to issuers participating in the State of Minnesota Credit Enhancement Program. The "AA+" rating is based on the State of Minnesota's current "AA+" rating from Standard & Poor's. See "Minnesota Credit Enhancement Program" for further details. The City is also requesting an underlying rating on this issue.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM

By resolution adopted for the Series 2013A Bonds on April 2, 2013 (the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain municipal obligations. The City has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the City as long as any obligations of the issue remain outstanding.

The City covenants in the Agreement to deposit with the Paying Agent for the Series 2013A Bonds three business days prior to the date on which a payment is due an amount sufficient to make that payment. Under the Agreement, if the City believes it may be unable to make a principal or interest payment for the Series 2013A Bonds on the due date, it must notify the Authority not less than 15 business days prior to the date a payment is due on the Series 2013A Bonds if the City will be unable to make all or a portion of the payment. The City's agreement with the Paying Agent for the Series 2013A Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Management and Budget, with a copy to the Authority, if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the Series 2013A Bonds, or if, on the day two business days before the date a payment is due on the Series 2013A Bonds, there are insufficient funds on deposit with the Paying Agent to make the payment.

If the City is unable to make any portion of the payment on the Series 2013A Bonds on or before the date due, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, providing that funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the Minnesota legislature to provide for the availability of funds in the General Fund for this purpose.

THE SERIES 2013B BONDS

GENERAL

The Series 2013B Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 4, 2013. The Series 2013B Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2014, to the registered owners of the Series 2013B Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).** All Series 2013B Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Series 2013B Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Series 2013B Bonds are held under the book-entry system, beneficial ownership interests in the Series 2013B Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Series 2013B Bonds shall be made through the facilities of DTC and its Participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Series 2013B Bonds shall be payable as provided in the resolution awarding the sale of the Series 2013B Bonds.

The City has selected Bond Trust Services Corporation ("BTSC"), Roseville, Minnesota, to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, Series 2013B Bonds maturing on or after February 1, 2022 shall be subject to prior payment on February 1, 2021 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Series 2013B Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Series 2013B Bonds to be prepaid shall be at the discretion of the City. If only part of the Series 2013B Bonds having a common maturity date are called for prepayment, the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by mailing a notice not more than 60 and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Series 2013B Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Series 2013B Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 429 and 475 and Sections 410.32 and 412.301, for the purpose of financing the acquisition of capital equipment (the "Equipment Portion") and improvements in the North Windom Industrial Park (the "Improvement Portion").

The equipment being acquired with the proceeds of the Equipment Portion of the Series 2013B Bonds has an expected useful life at least as long as the term of the Equipment Portion of the Series 2013B Bonds. Because the amount of the Equipment Portion of the Series 2013B Bonds exceeds 0.25% of the taxable market value of the City, the City passed a resolution on April 2, 2013 for publication on April 10, 2013 allowing for the 10-day reverse referendum period to end before the Equipment Portion of the Series 2013B Bonds are issued.

SOURCES AND USES

| Sources | Equipment Portion | Improvement Portion | Total Series 2013B Bond Issue |
|----------------------------------|-------------------|---------------------|-------------------------------|
| Par Amount of Series 2013B Bonds | <u>\$435,000</u> | <u>\$190,000</u> | <u>\$625,000</u> |
| Total Sources | \$435,000 | \$190,000 | \$625,000 |
| Uses | | | |
| Project Costs | \$406,804 | \$180,000 | \$586,804 |
| Finance Related Expenses | 13,224 | 5,776 | 19,000 |
| Discount Allowance | 6,525 | 2,850 | 9,375 |
| Capitalized Interest | 4,078 | 1,798 | 5,876 |
| Contingency | <u>4,369</u> | <u>(424)</u> | <u>3,945</u> |
| Total Uses | \$435,000 | \$190,000 | \$625,000 |

Breakdown of Principal Payments:

| Payment Date | Equipment Portion | Improvement Portion | Total Bond Issue |
|---------------------|--------------------------|----------------------------|-------------------------|
| 2/01/2015 | \$ 45,000 | \$ 20,000 | \$ 65,000 |
| 2/01/2016 | 45,000 | 20,000 | 65,000 |
| 2/01/2017 | 45,000 | 20,000 | 65,000 |
| 2/01/2018 | 50,000 | 20,000 | 70,000 |
| 2/01/2019 | 50,000 | 20,000 | 70,000 |
| 2/01/2020 | 50,000 | 20,000 | 70,000 |
| 2/01/2021 | 50,000 | 20,000 | 70,000 |
| 2/01/2022 | 50,000 | 25,000 | 75,000 |
| 2/01/2023 | <u>50,000</u> | <u>25,000</u> | <u>75,000</u> |
| Total | \$435,000 | \$190,000 | \$625,000 |

SECURITY

The Series 2013B Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Series 2013B Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Series 2013B Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Series 2013B Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A+" by Standard & Poor's Ratings Services. The City has requested a rating on this issue from Standard & Poor's, and bidders will be notified as to the assigned rating prior to the sale. Such a rating, if and when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Standard & Poor's. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Series 2013B Bonds.

PROVISIONS COMMON TO BOTH THE SERIES 2013A BONDS AND THE SERIES 2013B BONDS

The following information pertains to both the Series 2013A Bonds and the Series 2013B Bonds which are collectively referred to hereinafter as the "Bonds."

CONTINUING DISCLOSURE

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City has entered into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial information and operating data about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking to the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix D. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule. The City has complied in all material respects with any previous undertaking under the Rule.

LEGAL OPINIONS

Opinions as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, bond counsel to the City, and will accompany the Bonds. The legal opinions will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and the enforcement of such laws may be subject to the exercise of judicial discretion in accordance with general principles of equity.

TAX EXEMPTION

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel, under federal and Minnesota laws, regulations, rulings and decisions in effect on the date of issuance of the Bonds, interest on the Bonds is not includable in gross income for federal income tax purposes, or in taxable net income of individuals, trusts and estates for Minnesota income tax purposes but is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order for the interest thereon to be and remain not includable in federal gross income and in Minnesota taxable net income. Noncompliance with such requirements by the City may cause the interest on the Bonds to be includable in gross income and in Minnesota taxable net income retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includable in federal gross income or Minnesota taxable net income.

Interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on corporations and individuals or the Minnesota alternative minimum tax applicable to individuals, estates and trust. However, interest on the Bonds is

includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax and the environmental tax imposed by Section 59A of the Code. Interest on the Bonds may be includable in income of foreign corporations for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for a Subchapter S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts is passive investment income.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Bonds. Prospective purchasers should consult their tax advisers with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

From time to time, legislative proposals are introduced in Congress which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any of the proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Bonds) issued prior to enactment.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

FINANCIAL ADVISOR

Ehlers has served as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds of this offering are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Past and future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy property taxes.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolutions may result in the inclusion of interest on the Bonds in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Undertaking for continuing disclosure (see "Continuing Disclosure") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

| Type of Property | 2009/10 | 2010/11 | 2011/12 |
|--|--|--|--|
| Residential homestead ¹ | First \$500,000 - 1.00% Over \$500,000 - 1.25% | First \$500,000 - 1.00% Over \$500,000 - 1.25% | First \$500,000 - 1.00% Over \$500,000 - 1.25% |
| Agricultural homestead ¹ | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,010,000 - 0.50% ² Over \$1,010,000 - 1.00% ² | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,140,000 - 0.50% ² Over \$1,140,000 - 1.00% ² | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,210,000 - 0.50% ² Over \$1,210,000 - 1.00% ² |
| Agricultural non-homestead | Land - 1.00% ² | Land - 1.00% ² | Land - 1.00% ² |
| Seasonal recreational residential | First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³ | First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³ | First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³ |
| Residential non-homestead: | 1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% | 1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% | 1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% |
| Industrial/Commercial/Utility ⁵ | First \$150,000 - 1.50% Over \$150,000 - 2.00% | First \$150,000 - 1.50% Over \$150,000 - 2.00% | First \$150,000 - 1.50% Over \$150,000 - 2.00% |

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

Estimated Full Market Value of Taxable Property, 2012/13 \$215,405,010¹

| | 2012/13 Assessor's Estimated Market Value | 2012/13 Net Tax Capacity |
|--|--|---|
| Real Estate | \$ 202,630,500 | \$1,971,689 |
| Personal Property | 981,200 | 17,358 |
| Total Valuation | <u>\$ 203,611,700</u> | <u>\$1,989,047</u> |
| Less: Captured Tax Increment Tax Capacity ² | | <u>(214,008)</u> |
| Taxable Net Tax Capacity | | <u>\$1,775,039</u> |

2012/13 NET TAX CAPACITY BY CLASSIFICATION

| | 2012/13 Net Tax Capacity | Percent of Total Net Tax Capacity |
|--|-------------------------------------|--|
| Residential homestead | \$ 1,027,813 | 51.67% |
| Agricultural | 18,982 | 0.95% |
| Commercial/industrial | 670,996 | 33.73% |
| Railroad operating property | 7,826 | 0.39% |
| Non-homestead residential | 242,766 | 12.21% |
| Commercial & residential seasonal/rec. | 3,306 | 0.17% |
| Personal property | 17,358 | 0.87% |
| Total | <u>\$ 1,989,047</u> | <u>100.00%</u> |

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Windom is about 94.5% of the actual selling prices of property most recently sold in the City. That sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by 0.945 and adding personal property and mobile home AEMV, if any, results in an "Estimated Full Market Value of Taxable Property" for the City of \$215,405,010.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Windom.

TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity ¹ | Taxable Net Tax Capacity ² | Percent +/- in Estimated Market Value |
|-----------|-----------------------------------|---------------------------------|-------------------------------|---------------------------------------|---------------------------------------|
| 2008/09 | \$196,313,900 | \$194,088,900 | \$2,203,379 | \$2,006,638 | + 8.91% |
| 2009/10 | 196,188,100 | 193,716,300 | 2,210,620 | 1,999,897 | - 0.06% |
| 2010/11 | 196,268,100 | 194,250,000 | 2,221,415 | 2,006,772 | + 0.04% |
| 2011/12 | 198,037,300 | 162,190,000 ³ | 1,916,739 ³ | 1,702,326 | + 0.90% |
| 2012/13 | 203,611,700 | 167,823,900 | 1,989,047 | 1,775,039 | + 2.81% |

LARGER TAXPAYERS

| Taxpayer | Type of Property | 2012/13 Net Tax Capacity | Percent of City's Total Net Tax Capacity |
|-------------------------------------|------------------|--------------------------|--|
| PM Beef Holdings LLC | Industrial | \$ 92,138 | 4.63% |
| Toro Co. | Industrial | 75,186 | 3.78% |
| Evangelical Lutheran Good Samaritan | Commercial | 38,760 | 1.95% |
| New Vision Coop | Commercial | 30,124 | 1.51% |
| River Bend Development LLC | Commercial | 26,442 | 1.33% |
| Runnings, Inc. | Commercial | 24,972 | 1.26% |
| Guardian Inn LLC | Commercial | 19,680 | 0.99% |
| Global Investment Properties LLC | Commercial | 16,622 | 0.84% |
| Individual | Commercial | 16,064 | 0.81% |
| Gordy's Foods LLC | Commercial | 15,942 | 0.80% |
| Total | | \$355,930 | 17.89% |

City's Total 2012/13 Net Tax Capacity \$1,989,047

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Cottonwood County.

¹ Net Tax Capacity includes tax increment value.

² Taxable Net Tax Capacity does not include tax increment value.

³ Beginning with taxes 2011/12, a portion of the Estimated Market Value is excluded from the calculation of Taxable Market Value and Net Tax Capacity for residential homesteads valued at \$413,800 or less.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

| | |
|--|---------------------------------|
| Total g.o. debt being paid from revenues | \$ 1,863,289 |
| Total g.o. debt being paid from special assessments | 690,000 |
| Total g.o. debt being paid from special assessments and taxes (includes the Series 2013A Bonds and the Series 2013B Bonds of this offering) | 6,400,000 |
| Total g.o. debt being paid from revenues, special assessments, and taxes | 4,900,000 |
| Total g.o. debt being paid from special assessments, TIF, taxes & water revenues | <u>455,000</u> |
| Total General Obligation Debt | <u><u>\$ 14,308,289</u></u> |

Revenue Debt (see schedules following)

| | |
|---|-----------------------------|
| Total revenue debt being paid from telecommunication revenues | <u><u>\$ 10,985,000</u></u> |
|---|-----------------------------|

¹ Outstanding debt is as of the dated date of the Bonds.

CITY OF WINDOM, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 6/04/13)

| Fiscal Year Ending | Sewer (MPFA Loan) | | Sewer (MPFA Loan) | | Water (MPFA Loan) | | Water (MPFA Loan) | | Total Principal | Interest | Total P & I Outstanding | % Paid | Fiscal Year Ending |
|--------------------|----------------------|------------------------------------|-------------------|----------|-------------------|----------|-------------------|----------|-----------------|----------|-------------------------|---------|--------------------|
| | Dated Amount | Maturity | Principal | Interest | Principal | Interest | Principal | Interest | | | | | |
| 2013 | 1/26/94 \$352,380 | 2/20 & 8/20 Final maturity 2/20 | 10,950 | 235 | 118,273 | 8,233 | 73,000 | 6,298 | 384,223 | 23,586 | 407,809 | 20.62% | 2013 |
| 2014 | | | 8,291 | 101 | 241,375 | 11,637 | 75,000 | 10,923 | 511,666 | 35,625 | 547,291 | 48.08% | 2014 |
| 2015 | | | | | 247,960 | 5,051 | 77,000 | 9,206 | 515,960 | 22,415 | 538,375 | 75.77% | 2015 |
| 2016 | | | | | | | 79,000 | 7,443 | 205,440 | 10,692 | 216,132 | 86.80% | 2016 |
| 2017 | | | | | | | 80,000 | 5,633 | 80,000 | 5,633 | 85,633 | 91.09% | 2017 |
| 2018 | | | | | | | 82,000 | 3,801 | 82,000 | 3,801 | 85,801 | 95.49% | 2018 |
| 2019 | | | | | | | 84,000 | 1,924 | 84,000 | 1,924 | 85,924 | 100.00% | 2019 |
| | | | 19,242 | 336 | 607,607 | 24,921 | 550,000 | 45,228 | 1,863,289 | 103,677 | 1,966,965 | | |

CITY OF WINDOM, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments
(As of 6/04/13)

Refunding 1)
Series 2011B

| Dated Amount | Maturity | Principal | Interest |
|-----------------------|----------|-----------|----------|
| 12/08/11 \$795,000 | 2/01 | | |

| Fiscal Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I Outstanding | % Paid | Fiscal Year Ending |
|--------------------|-----------|----------|-----------------|----------------|-------------------------|---------|--------------------|
| 2013 | 0 | 4,361 | 0 | 4,361 | 4,361 | 0.00% | 2013 |
| 2014 | 110,000 | 8,338 | 110,000 | 8,338 | 118,338 | 15.94% | 2014 |
| 2015 | 110,000 | 7,485 | 110,000 | 7,485 | 117,485 | 31.88% | 2015 |
| 2016 | 115,000 | 6,385 | 115,000 | 6,385 | 121,385 | 48.55% | 2016 |
| 2017 | 115,000 | 4,976 | 115,000 | 4,976 | 119,976 | 65.22% | 2017 |
| 2018 | 120,000 | 3,210 | 120,000 | 3,210 | 123,210 | 82.61% | 2018 |
| 2019 | 120,000 | 1,110 | 120,000 | 1,110 | 121,110 | 100.00% | 2019 |
| | | | 690,000 | 35,865 | 725,865 | | |

1) This issue refunded the 2013 through 2019 maturities of \$1,445,000 General Obligation Improvement Bonds, Series 2003, dated June 1, 2003.

CITY OF WINDOM, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments and Taxes
(As of 6/04/13)

| Fiscal Year Ending | Improvement Series 2009A | | Improvement Series 2013A | | Equipment Certs & Improvement Series 2013B 1) | | Total Principal | Total Interest | Total P & I Outstanding | % Paid | Fiscal Year Ending |
|--------------------|--------------------------|----------|--------------------------|---------|---|-----------|-----------------|----------------|-------------------------|---------|--------------------|
| | Dated Amount | Maturity | 6/04/13 | 2/01 | 6/04/13 | 2/01 | | | | | |
| 2013 | | | | | | | 0 | 23,373 | 23,373 | 0.00% | 2013 |
| 2014 | 85,000 | 2/01 | 0 | 0 | 0 | 0 | 85,000 | 159,109 | 244,109 | 1.33% | 2014 |
| 2015 | 90,000 | 2/01 | 0 | 103,142 | 0 | 10,284 | 365,000 | 139,514 | 504,514 | 7.03% | 2015 |
| 2016 | 90,000 | 2/01 | 210,000 | 87,673 | 65,000 | 8,571 | 370,000 | 134,683 | 504,683 | 12.81% | 2016 |
| 2017 | 95,000 | 2/01 | 215,000 | 86,078 | 65,000 | 8,035 | 380,000 | 129,376 | 509,376 | 18.75% | 2017 |
| 2018 | 100,000 | 2/01 | 220,000 | 84,283 | 65,000 | 7,418 | 395,000 | 123,221 | 518,221 | 24.92% | 2018 |
| 2019 | 100,000 | 2/01 | 225,000 | 82,166 | 70,000 | 6,673 | 405,000 | 115,991 | 520,991 | 31.25% | 2019 |
| 2020 | 105,000 | 2/01 | 230,000 | 79,548 | 70,000 | 5,780 | 405,000 | 107,785 | 512,785 | 37.58% | 2020 |
| 2021 | 110,000 | 2/01 | 230,000 | 76,443 | 70,000 | 4,748 | 415,000 | 98,805 | 508,805 | 43.98% | 2021 |
| 2022 | 110,000 | 2/01 | 230,000 | 72,935 | 70,000 | 3,575 | 415,000 | 89,228 | 504,228 | 50.47% | 2022 |
| 2023 | 120,000 | 2/01 | 230,000 | 69,083 | 75,000 | 2,250 | 425,000 | 78,889 | 503,889 | 57.11% | 2023 |
| 2024 | 125,000 | 2/01 | 245,000 | 64,885 | 75,000 | 769 | 370,000 | 68,339 | 438,339 | 62.89% | 2024 |
| 2025 | 130,000 | 2/01 | 245,000 | 60,189 | 75,000 | | 375,000 | 57,806 | 432,806 | 68.75% | 2025 |
| 2026 | | | 250,000 | 55,044 | | | 250,000 | 49,598 | 299,598 | 72.66% | 2026 |
| 2027 | | | 260,000 | 49,598 | | | 260,000 | 43,730 | 303,730 | 76.72% | 2027 |
| 2028 | | | 260,000 | 43,730 | | | 260,000 | 37,490 | 297,490 | 80.78% | 2028 |
| 2029 | | | 270,000 | 37,490 | | | 270,000 | 30,863 | 300,863 | 85.00% | 2029 |
| 2030 | | | 180,000 | 30,863 | | | 180,000 | 25,035 | 205,035 | 87.81% | 2030 |
| 2031 | | | 185,000 | 25,035 | | | 185,000 | 20,106 | 205,106 | 90.70% | 2031 |
| 2032 | | | 195,000 | 20,106 | | | 195,000 | 14,784 | 209,784 | 93.75% | 2032 |
| 2033 | | | 195,000 | 14,784 | | | 195,000 | 9,129 | 204,129 | 96.80% | 2033 |
| 2034 | | | 205,000 | 9,129 | | | 205,000 | 3,126 | 208,126 | 100.00% | 2034 |
| | | | 1,265,000 | 346,550 | 4,510,000 | 1,155,326 | 6,400,000 | 1,559,978 | 7,959,978 | | |
| | | | | | 625,000 | 58,102 | | | | | |

1) A portion of this issue is subject to the legal debt limit (currently outstanding in the principal amount of \$435,000).

CITY OF WINDOM, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues, Special Assessments and Taxes
(As of 6/04/13)

| Fiscal Year Ending | Improvement Series 2007B | | Water and Sewer Series 2011A | | Refunding 1) Series 2012A | | Total Principal | Total Interest | Total P & I Outstanding | % Paid | Fiscal Year Ending |
|--------------------|--------------------------|----------|------------------------------|----------|---------------------------|----------|-----------------|----------------|-------------------------|-----------|--------------------|
| | Dated Amount | Maturity | Principal | Interest | Principal | Interest | | | | | |
| 2013 | | | 0 | 20,640 | 0 | 39,624 | 0 | 4,004 | 64,268 | 0.00% | 2013 |
| 2014 | \$1,380,000 | 2/01 | 85,000 | 39,623 | 35,000 | 79,073 | 110,000 | 7,705 | 356,400 | 4.69% | 2014 |
| 2015 | | | 85,000 | 18,983 | 35,000 | 78,723 | 110,000 | 13,811 | 341,516 | 9.39% | 2015 |
| 2016 | | | | | 80,000 | 78,148 | 220,000 | 19,285 | 397,433 | 15.51% | 2016 |
| 2017 | | | | | 205,000 | 76,415 | 220,000 | 17,250 | 518,665 | 24.18% | 2017 |
| 2018 | | | | | 210,000 | 73,403 | 180,000 | 15,070 | 478,473 | 32.14% | 2018 |
| 2019 | | | | | 210,000 | 69,833 | 185,000 | 12,685 | 477,528 | 40.20% | 2019 |
| 2020 | | | | | 215,000 | 65,846 | 190,000 | 9,880 | 480,726 | 48.47% | 2020 |
| 2021 | | | | | 220,000 | 61,385 | 190,000 | 6,650 | 478,035 | 56.84% | 2021 |
| 2022 | | | | | 220,000 | 56,435 | 115,000 | 3,790 | 395,225 | 63.67% | 2022 |
| 2023 | | | | | 230,000 | 51,033 | 120,000 | 1,320 | 402,353 | 70.82% | 2023 |
| 2024 | | | | | 235,000 | 45,160 | | | 280,160 | 75.61% | 2024 |
| 2025 | | | | | 240,000 | 38,805 | | | 278,805 | 80.51% | 2025 |
| 2026 | | | | | 245,000 | 31,953 | | | 276,953 | 85.51% | 2026 |
| 2027 | | | | | 260,000 | 23,200 | | | 283,200 | 90.82% | 2027 |
| 2028 | | | | | 220,000 | 13,600 | | | 233,600 | 95.31% | 2028 |
| 2029 | | | | | 230,000 | 4,600 | | | 234,600 | 100.00% | 2029 |
| | | | 170,000 | 79,245 | 3,090,000 | 887,233 | 1,640,000 | 111,460 | 4,900,000 | 1,077,938 | 5,977,938 |

1) This issue refunded the 2014 through 2021 maturities of the \$1,440,000 General Obligation Bonds, Series 2005A, dated June 29, 2005.

This issue also refunded the 2016 through 2023 maturities of the \$1,380,000 General Obligation Improvement Bonds, Series 2007B, dated June 7, 2007, which are callable on February 1, 2015. The City is responsible for paying the debt service on the refunded bonds through February 1, 2015. The escrow account is responsible for the payment of the debt service on the Series 2012A Bonds through February 1, 2015; therefore, these payments have not been included above. The City will be responsible for the payment of debt service on the Series 2012A Bonds beginning with the August 1, 2015 payment.

CITY OF WINDOM, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments, Tax Increment Revenues, Taxes, and Water Revenues
(As of 6/04/13)

Imp. & Ref. 1)
Series 2006A

| Fiscal Year Ending | Dated Amount | | Maturity | | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
|--------------------|--------------|-----------|----------|--|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| | 12/01/06 | \$940,000 | 2/01 | | | | | | | |
| 2013 | 0 | 9,186 | | | 0 | 9,186 | 9,186 | 455,000 | 0.00% | 2013 |
| 2014 | 120,000 | 15,973 | | | 120,000 | 15,973 | 135,973 | 335,000 | 26.37% | 2014 |
| 2015 | 120,000 | 11,173 | | | 120,000 | 11,173 | 131,173 | 215,000 | 52.75% | 2015 |
| 2016 | 125,000 | 6,241 | | | 125,000 | 6,241 | 131,241 | 90,000 | 80.22% | 2016 |
| 2017 | 50,000 | 2,685 | | | 50,000 | 2,685 | 52,685 | 40,000 | 91.21% | 2017 |
| 2018 | 40,000 | 830 | | | 40,000 | 830 | 40,830 | 0 | 100.00% | 2018 |
| | 455,000 | 46,088 | | | 455,000 | 46,088 | 501,088 | | | |

1) This issue refunded the 2010 through 2018 maturities of the City's \$995,000 General Obligation Bonds, Series 2000, dated June 1, 2000.

CITY OF WINDOM, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Telecommunication Revenues
(As of 6/04/13)

Comm Sys Refunding
Series 2012B 1)

| Dated Amount | 11/27/12 \$11,205,000 | Maturity | 6/01 |
|--------------------|--------------------------|-----------|------|
| Fiscal Year Ending | Principal | Interest | |
| 2013 | 0 | 180,291 | |
| 2014 | 435,000 | 354,056 | |
| 2015 | 445,000 | 340,856 | |
| 2016 | 460,000 | 327,281 | |
| 2017 | 475,000 | 313,256 | |
| 2018 | 490,000 | 298,781 | |
| 2019 | 500,000 | 283,931 | |
| 2020 | 520,000 | 269,931 | |
| 2021 | 530,000 | 255,481 | |
| 2022 | 545,000 | 239,356 | |
| 2023 | 565,000 | 221,647 | |
| 2024 | 580,000 | 202,325 | |
| 2025 | 600,000 | 182,413 | |
| 2026 | 620,000 | 161,825 | |
| 2027 | 645,000 | 140,478 | |
| 2028 | 665,000 | 117,541 | |
| 2029 | 690,000 | 92,981 | |
| 2030 | 715,000 | 67,516 | |
| 2031 | 740,000 | 41,144 | |
| 2032 | 765,000 | 13,866 | |
| | 10,985,000 | 4,104,956 | |

| Fiscal Year Ending | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
|--------------------|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| 2013 | 0 | 180,291 | 180,291 | 10,985,000 | 0.00% | 2013 |
| 2014 | 435,000 | 354,056 | 789,056 | 10,550,000 | 3.96% | 2014 |
| 2015 | 445,000 | 340,856 | 785,856 | 10,105,000 | 8.01% | 2015 |
| 2016 | 460,000 | 327,281 | 787,281 | 9,645,000 | 12.20% | 2016 |
| 2017 | 475,000 | 313,256 | 788,256 | 9,170,000 | 16.52% | 2017 |
| 2018 | 490,000 | 298,781 | 788,781 | 8,680,000 | 20.98% | 2018 |
| 2019 | 500,000 | 283,931 | 783,931 | 8,180,000 | 25.53% | 2019 |
| 2020 | 520,000 | 269,931 | 789,931 | 7,660,000 | 30.27% | 2020 |
| 2021 | 530,000 | 255,481 | 785,481 | 7,130,000 | 35.09% | 2021 |
| 2022 | 545,000 | 239,356 | 784,356 | 6,585,000 | 40.05% | 2022 |
| 2023 | 565,000 | 221,647 | 786,647 | 6,020,000 | 45.20% | 2023 |
| 2024 | 580,000 | 202,325 | 782,325 | 5,440,000 | 50.48% | 2024 |
| 2025 | 600,000 | 182,413 | 782,413 | 4,840,000 | 55.94% | 2025 |
| 2026 | 620,000 | 161,825 | 781,825 | 4,220,000 | 61.58% | 2026 |
| 2027 | 645,000 | 140,478 | 785,478 | 3,575,000 | 67.46% | 2027 |
| 2028 | 665,000 | 117,541 | 782,541 | 2,910,000 | 73.51% | 2028 |
| 2029 | 690,000 | 92,981 | 782,981 | 2,220,000 | 79.79% | 2029 |
| 2030 | 715,000 | 67,516 | 782,516 | 1,505,000 | 86.30% | 2030 |
| 2031 | 740,000 | 41,144 | 781,144 | 765,000 | 93.04% | 2031 |
| 2032 | 765,000 | 13,866 | 778,866 | 0 | 100.00% | 2032 |
| | 10,985,000 | 4,104,956 | 15,089,956 | | | |

1) A portion of this issue refunded the outstanding maturities of the City's \$9,470,000 Communication System Revenue Bonds, Series 2004, dated June 1, 2004.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Taxable Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property (e.g. the Series 2013A Bonds and a portion of the Series 2013B Bonds of this offering); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

| | |
|---|----------------------------|
| Assessor's Taxable Market Value | \$167,823,900 |
| Multiply by 3% | 0.03 |
| Statutory Debt Limit | <u>\$ 5,034,717</u> |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Portion of the Series 2013B Bonds) | <u>(435,000)</u> |
| Unused Debt Limit | <u><u>\$ 4,599,717</u></u> |

OVERLAPPING DEBT¹

| Taxing District | 2012/13 Taxable Net Tax Capacity | % In City | Total G.O. Debt | City's Proportionate Share |
|--|--|--------------|--------------------|----------------------------------|
| Cottonwood County | \$21,751,169 | 8.1607% | \$ 930,000 | \$ 75,894 |
| I.S.D. No. 177 (Windom) | 7,885,019 | 22.5115% | 10,170,000 | <u>2,289,423</u> |
| City's Share of Total Overlapping Debt | | | | <u><u>\$2,365,317</u></u> |

¹ Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

DEBT RATIOS

| | G.O. Debt | Debt/Estimated Full Market Value of Taxable Property (\$215,405,010) | Debt/Current Population Estimate (4,649) |
|--|--------------------|---|---|
| Direct G.O. Debt Being Paid From: | | | |
| Revenues | \$ 1,863,289 | | |
| Special Assessments | 690,000 | | |
| Special Assessments & Taxes | 6,400,000 | | |
| Revenues, Special Assessments, & Taxes | 4,900,000 | | |
| Special Assessments, Tax Increment Revenues, Taxes & Water Revenues | <u>455,000</u> | | |
| Total General Obligation Debt | \$14,308,289 | | |
| Less: G.O. Debt Paid Entirely from Revenues ¹ | <u>(2,678,289)</u> | | |
| Tax Supported General Obligation Debt | \$11,630,000 | 5.40% | \$2,501.61 |
| City's Share of Total Overlapping Debt | \$ 2,365,317 | 1.10% | \$508.78 |
| Total | \$13,995,317 | 6.50% | \$3,010.39 |

DEBT PAYMENT HISTORY

The City has never defaulted in the payment of principal and interest on its debt.

FUTURE FINANCING

The City reports no plans for additional financing in the next three months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Includes portions of the following issues of the City, which are paid entirely from revenues: the \$940,000 General Obligation Improvement and Refunding Bonds, Series 2006A (currently outstanding in the principal amount of \$105,000); the \$1,380,000 General Obligation Improvement Bonds, Series 2007B (currently outstanding in the principal amount of \$50,000); and the \$1,640,000 General Obligation Refunding Bonds, Series 2012A (currently outstanding in the principal amount of \$660,000).

TAX LEVIES AND COLLECTIONS

TAX COLLECTIONS

| Tax Year | Net Tax Levy ¹ | Total Collected Following Year | Collected to Date ² | % Collected |
|----------|---------------------------|--------------------------------|--------------------------------|-------------|
| 2008/09 | \$ 1,343,107 | \$ 1,315,493 | \$ 1,340,538 | 99.81% |
| 2009/10 | 1,365,150 | 1,318,285 | 1,361,783 | 99.75% |
| 2010/11 | 1,384,798 | 1,359,038 | 1,378,033 | 99.51% |
| 2011/12 | 1,601,060 | 1,564,152 | 1,564,152 | 97.69% |
| 2012/13 | 1,654,142 | In process of collection | | |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15. Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES³

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|-------------------------|---------|---------|---------|---------|---------|
| Cottonwood County | 46.100% | 38.540% | 40.198% | 39.949% | 36.548% |
| City of Windom | 75.969% | 78.365% | 78.736% | 94.369% | 93.470% |
| I.S.D. No. 177 (Windom) | 28.588% | 22.903% | 22.534% | 23.889% | 20.078% |

Referendum Market Value Rates:

| | | | | | |
|-------------------------|----------|----------|----------|----------|----------|
| I.S.D. No. 177 (Windom) | 0.37017% | 0.39353% | 0.36527% | 0.38239% | 0.37715% |
|-------------------------|----------|----------|----------|----------|----------|

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. In 2008, the Legislature imposed levy limits for all counties and all cities over 2,500 population for budget years 2009, 2010 and 2011. These limitations have not applied to taxes levied to pay debt service. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2012.

³ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City of Windom was organized as a municipality in 1876. The City operates under a home rule charter form of government consisting of a six-member City Council in which the Mayor votes only in the case of a tie. The City Administrator/Clerk is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 47 full-time and 26 part-time employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

| Bargaining Unit | Expiration Date of Current Contract |
|---|-------------------------------------|
| International Brotherhood of Electrical Workers | December 31, 2014 |
| Law Enforcement Labor Services, Inc. | December 31, 2014 |

LIABILITIES FOR OTHER POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy. The City has not done an actuarial study at this time.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver these Bonds or otherwise questioning the validity of these Bonds.

FUNDS ON HAND (As of February 28, 2013)

| Fund | Total Cash and Investments¹ |
|---------------------------------|---|
| General | \$ 1,920,579 |
| PIR Regular | 336,229 |
| Library | 15,808 |
| Equipment/F.A. | (253,826) |
| 4 th Avenue Project | (143,269) |
| 2003 Improvement Bond | 40,612 |
| 2007 Street Project | (142,540) |
| 2006A Refunding Bond | (236,647) |
| 2009 Street Improvement Project | 118,013 |
| Airport | (121,149) |
| Pool Operating | 36,703 |
| Ambulance | 1,178,423 |
| Multipurpose Center | (3,260) |
| Revenue Loan Fund | 619,664 |
| EDA Revenue Loan | 24,825 |
| SCDP Pay | 9,779 |
| N IND Park | (27,718) |
| River Bluff Est | 33,474 |
| 13 Street Project | (79,792) |
| TIF Funds | 233,310 |
| Liquor | 587,112 |
| Water | 679,782 |
| Electric | 5,171,888 |
| Sewer | 809,076 |
| Arena | 55,137 |
| River Bluff Townhomes | (49,346) |
| Economic Development | 65,969 |
| River Bluff Estates | (5,332) |
| Telecom | (1,257,180) |
| Total Funds on Hand | <u><u>\$ 9,616,324</u></u> |

¹ Does not include first-half property tax collections.

ENTERPRISE FUNDS

Cash flows for the City's enterprise funds have been as follows as of December 31 each year:

| | 2009 | 2010 | 2011 |
|-------------------------------------|--------------------|---------------------|--------------------|
| Municipal Liquor Store | | | |
| Total Operating Revenues | \$ 407,273 | \$ 436,907 | \$ 447,159 |
| Less: Operating Expenses | <u>(289,984)</u> | <u>(317,503)</u> | <u>(313,731)</u> |
| Operating Income | \$ 117,289 | \$ 119,404 | \$ 133,428 |
| Plus: Depreciation and Amortization | <u>15,781</u> | <u>15,161</u> | <u>14,403</u> |
| Revenues Available for Debt Service | <u>\$ 133,070</u> | <u>\$ 134,565</u> | <u>\$ 147,831</u> |
| Water | | | |
| Total Operating Revenues | \$ 925,367 | \$ 1,430,117 | \$ 1,075,296 |
| Less: Operating Expenses | <u>(759,415)</u> | <u>(735,371)</u> | <u>(716,416)</u> |
| Operating Income | \$ 165,952 | \$ 694,746 | \$ 358,880 |
| Plus: Depreciation and Amortization | <u>268,480</u> | <u>270,321</u> | <u>268,073</u> |
| Revenues Available for Debt Service | <u>\$ 434,432</u> | <u>\$ 965,067</u> | <u>\$ 626,953</u> |
| Electric | | | |
| Total Operating Revenues | \$ 5,152,832 | \$ 6,183,122 | \$ 5,692,690 |
| Less: Operating Expenses | <u>(4,880,113)</u> | <u>(5,218,889)</u> | <u>(5,185,330)</u> |
| Operating Income | \$ 272,719 | \$ 964,233 | \$ 507,360 |
| Plus: Depreciation and Amortization | <u>343,231</u> | <u>367,874</u> | <u>388,223</u> |
| Revenues Available for Debt Service | <u>\$ 615,950</u> | <u>\$ 1,332,107</u> | <u>\$ 895,583</u> |
| Sewer | | | |
| Total Operating Revenues | \$ 1,249,388 | \$ 1,349,777 | \$ 1,314,704 |
| Less: Operating Expenses | <u>(894,339)</u> | <u>(940,651)</u> | <u>(947,150)</u> |
| Operating Income | \$ 355,049 | \$ 409,126 | \$ 367,554 |
| Plus: Depreciation and Amortization | <u>199,989</u> | <u>200,640</u> | <u>202,124</u> |
| Revenues Available for Debt Service | <u>\$ 555,038</u> | <u>\$ 609,766</u> | <u>\$ 569,678</u> |
| Telecom | | | |
| Total Operating Revenues | \$ 1,785,307 | \$ 1,856,896 | \$ 2,025,345 |
| Less: Operating Expenses | <u>(1,925,092)</u> | <u>(2,020,725)</u> | <u>(2,191,756)</u> |
| Operating Income | \$ (139,785) | \$ (163,829) | \$ (166,411) |
| Plus: Depreciation and Amortization | <u>735,689</u> | <u>747,283</u> | <u>739,480</u> |
| Revenues Available for Debt Service | <u>\$ 595,904</u> | <u>\$ 583,454</u> | <u>\$ 573,069</u> |

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund for the past five fiscal years. These summaries are not purported to be the complete audited financial statements of the City. Copies of the complete audited financial statements are available upon request. See Appendix A for excerpts from the City's 2011 audited financial statement.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|--|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues | | | | | |
| Local property taxes | \$ 205,720 | \$ 306,122 | \$ 423,328 | \$ 381,970 | \$ 790,425 |
| Licenses and permits | 72,308 | 42,258 | 45,948 | 69,349 | 55,918 |
| Intergovernmental revenues | 1,533,779 | 1,462,045 | 1,518,576 | 1,397,039 | 1,412,099 |
| State grants | 0 | 24,443 | 8,236 | 0 | 46,571 |
| Charges for services and facilities | 45,799 | 40,415 | 46,250 | 46,214 | 125,916 |
| Fines and forfeitures | 24,853 | 21,771 | 19,879 | 25,270 | 28,471 |
| Investment income | 0 | 3,048 | 17,140 | 24,404 | 6,372 |
| Other revenues | 122,398 | 99,493 | 152,753 | 128,708 | 146,691 |
| Total Revenues | \$ 2,004,857 | \$ 1,999,595 | \$ 2,232,110 | \$ 2,072,954 | \$ 2,612,463 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$ 351,366 | \$ 370,339 | \$ 350,109 | \$ 365,693 | \$ 374,885 |
| Public safety | 891,621 | 919,625 | 886,853 | 915,747 | 984,154 |
| Public works | 534,938 | 532,644 | 468,704 | 513,461 | 484,957 |
| Health and welfare | 19,662 | 24,674 | 24,452 | 22,681 | 23,676 |
| Culture and recreation | 235,744 | 342,760 | 185,516 | 203,059 | 446,047 |
| Conservation and development | 0 | 0 | 0 | 0 | 94,148 |
| Capital outlay | 0 | 0 | 0 | 0 | 96,737 |
| Total Expenditures | \$ 2,033,331 | \$ 2,190,042 | \$ 1,915,634 | \$ 2,020,641 | \$ 2,504,604 |
| Excess of revenues over (under) expenditures | \$ (28,474) | \$ (190,447) | \$ 316,476 | \$ 52,313 | \$ 107,859 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | \$ 270,000 | \$ 277,285 | \$ 245,000 | \$ 245,000 | \$ 253,104 |
| Operating transfers out | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 270,000 | \$ 277,285 | \$ 245,000 | \$ 245,000 | \$ 253,104 |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | \$ 241,526 | \$ 86,838 | \$ 561,476 | \$ 297,313 | \$ 360,963 |
| General Fund Balance January 1 | 557,576 | 799,102 | 885,940 | 1,447,416 | 1,744,729 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 55,445 |
| General Fund Balance December 31 | \$ 799,102 | \$ 885,940 | \$ 1,447,416 | \$ 1,744,729 | \$ 2,161,137 |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Reserved | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Unreserved: | | | | | |
| Designated | 799,102 | 885,940 | 1,447,416 | 1,744,729 | 0 |
| Undesignated | 0 | 0 | 0 | 0 | 0 |
| Nonspendable | 0 | 0 | 0 | 0 | 20,693 |
| Assigned | 0 | 0 | 0 | 0 | 2,140,444 |
| Total | \$ 799,102 | \$ 885,940 | \$ 1,447,416 | \$ 1,744,729 | \$ 2,161,137 |

GENERAL INFORMATION

LOCATION

The City of Windom, with a 2010 U.S. Census population of 4,646 and a current State Demographer's population estimated of 4,649, and comprising an area of 2,659.2 acres, is located approximately 150 miles southwest of the Minneapolis-St. Paul area. The City of Windom is the county seat of Cottonwood County. For additional information regarding the City, please visit its website at www.windom-mn.com.

LARGER EMPLOYERS

Larger employers in the City of Windom include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|--|---|-----------------------------------|
| PM Beef Windom | Meat packaging | 691 |
| Toro Company | Manufacture lawn and snow removal equipment | 634 |
| I.S.D. No. 177 (Windom) | Elementary and secondary education | 173 |
| Good Samaritan Society Windom | Nursing home and senior living facility | 165 |
| Hy-Vee, Inc. | Grocery store | 140 |
| Windom Area Hospital | Hospital | 120 |
| Cottonwood County | County government and services | 114 |
| Minnesota Department of Transportation | State government transportation services | 90 |
| Home For Creative Living | Health care facility | 75 |
| City of Windom | Municipal government and services | 73 |

Source: *Infogroup (www.salesgenie.com), written and telephone survey (April 2013), and the Minnesota Department of Employment and Economic Development.*

BUILDING PERMITS

| | 2009 | 2010 | 2011 | 2012 | 2013 ¹ |
|--|-------------|-------------|-------------|-------------|-------------------|
| <u>No. of All Building Permits</u> <i>(including additions and remodelings)</i> | 228 | 253 | 213 | 218 | 88 |
| <u>Valuation of All Building Permits</u> <i>(including additions and remodelings)</i> | \$2,241,441 | \$4,465,210 | \$3,339,381 | \$4,128,437 | \$188,343 |
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 2 | 0 | 1 | 0 | 0 |
| Valuation | \$517,000 | \$0 | \$170,000 | \$0 | \$0 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 0 | 6 | 0 | 0 | 0 |
| Valuation | \$0 | \$1,680,000 | \$0 | \$0 | \$0 |

¹ As of March 5, 2013.

U.S. CENSUS DATA

Population Trend: City of Windom, Minnesota

| | |
|-----------------------------------|---------|
| 2000 U.S. Census population | 4,490 |
| 2010 U.S. Census population | 4,646 |
| 2011 State Demographer's Estimate | 4,649 |
| Percent of Change 2000 - 2010 | + 3.47% |

Income and Age Statistics

| | City of Windom | Cottonwood County | State of Minnesota | United States |
|--|-------------------|----------------------|-----------------------|------------------|
| 2010 per capita income | \$22,074 | \$22,028 | \$30,310 | \$27,915 |
| 2010 median household income | \$37,152 | \$43,111 | \$58,476 | \$52,762 |
| 2010 median family income | \$46,455 | \$52,711 | \$73,046 | \$64,293 |
| 2011 median gross rent | \$428 | \$487 | \$783 | \$871 |
| 2011 median value owner-occupied units | \$85,700 | \$83,100 | \$201,400 | \$186,200 |
| 2011 median age | 40.2 yrs. | 43.6 yrs. | 37.3 yrs. | 37.0 yrs. |

| | State of Minnesota | United States |
|-------------------------------------|--------------------|---------------|
| City % of 2010 per capita income | 72.83% | 79.08% |
| City % of 2010 median family income | 63.60% | 72.26% |

Housing Statistics

| | <u>City of Windom</u> | | |
|-------------------|-----------------------|-------|-------------------|
| | 2000 | 2011 | Percent of Change |
| All Housing Units | 2,089 | 2,171 | 3.93% |

Source: 2000 and 2010 Census of Population and Housing, and 2010 American Community Survey, U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

| Year | <u>Average Employment</u> | | <u>Average Unemployment</u> | |
|-------------|---------------------------|-------------------|-----------------------------|--------------------|
| | Cottonwood County | Cottonwood County | Cottonwood County | State of Minnesota |
| 2009 | 6,068 | | 6.5% | 8.0% |
| 2010 | 6,488 | | 5.7% | 7.4% |
| 2011 | 6,720 | | 5.3% | 6.5% |
| 2012 | 6,187 | | 6.0% | 5.6% |
| 2013, March | 5,995 | | 5.3% | 5.8% |

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

EXCERPTS FROM FINANCIAL STATEMENTS

Reproduced on the following pages are excerpts from the City's audited Financial Statements for the fiscal year ending December 31, 2011. The Financial Statements have been prepared by the City and audited by a certified public accountant. The Management's Discussion and Analysis and the Notes to Financial Statements are an integral part of the audit and any judgment of the Financial Statements should be based on the Financial Statements as a whole.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

FORM OF LEGAL OPINIONS



302 W SUPERIOR STREET, SUITE 700
DULUTH, MINNESOTA 55802

PHONE (218) 722-0861
FAX (218) 725-6800

June 4, 2013

City of Windom
444 9th Street
P.O. Box 38
Windom, MN 56101-0038

[PURCHASER[S]]

RE: \$4,510,000 General Obligation Improvement Bonds, Series 2013A
\$625,000 General Obligation Bonds, Series 2013B
City of Windom, Cottonwood County, Minnesota

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Windom, Cottonwood County, Minnesota (the "Issuer"), of its \$4,510,000 General Obligation Improvement Bonds, Series 2013A (the "Series A Bonds") and its \$625,000 General Obligation Bonds, Series 2013B (the "Series B Bonds," and together with the Series A Bonds, the "Bonds"), each such series dated the date hereof. The Series A Bonds are issued under the authority of Minnesota Statutes, Chapters 429 and 475. The Series B Bonds are issued under the authority of Minnesota Statutes, Sections 410.32 and 412.301 and Chapter 475.

For purposes of this opinion, we have examined the law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer with respect to the authorization, sale and issuance of the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon such examination, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals, and assuming the genuineness of the signatures thereon and the accuracy of the facts and representations stated therein, and on the basis of laws, regulations, rulings and decisions in effect on the date

hereof, but excluding any pending legislation which may have a retroactive effective date prior to the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; it should be noted, however, that for purposes of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

For the purpose of rendering the opinion set forth in paragraph 3 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income retroactive to the date of issuance of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement of such laws may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Windom, Minnesota (the "Issuer") in connection with the issuance of the \$4,510,000 General Obligation Improvement Bonds, Series 2013A and \$625,000 General Obligation Bonds, Series 2013B, dated June 4, 2013 (collectively, the "Obligations"). The Obligations are being issued pursuant to a Resolution of the Issuer dated May 7, 2013 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“Official Statement” means the Official Statement, dated _____, 2013, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2012, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

- (a) Historic Revenues and Expenses
- (b) Description of Utility
- (c) Current Property Valuations
- (d) Direct Debt
- (e) Tax Levies & Collections
- (f) Debt Limit

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, if any, or their failure to perform;
- (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- (6) tender offers;
- (7) defeasances;
- (8) rating changes; or
- (9) bankruptcy, insolvency, receivership or similar event of the Issuer.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) non-payment related defaults;
- (2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;
- (3) modifications to rights of holders of the Obligations;
- (4) bond calls;
- (5) release, substitution or sale of property securing repayment of the Obligations;
- (6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (7) appointment of a successor or additional trustee or the change of name of a trustee.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default.

(a) The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and

appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of June 4, 2013.

CITY OF WINDOM, MINNESOTA

By _____
Mayor

By _____
City Administrator

APPENDIX E

TERMS OF PROPOSAL

\$4,510,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2013A CITY OF WINDOM, MINNESOTA

Proposals for the purchase of \$4,510,000 General Obligation Improvement Bonds, Series 2013A (the "Series 2013A Bonds") of the City of Windom, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on May 7, 2013, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:30 P.M., Central Time, on the same date. The proposal offering to purchase the Series 2013A Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Series 2013A Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 429 and 475, for the purpose of financing various street and utility improvements within the City. The Series 2013A Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Series 2013A Bonds will be dated June 4, 2013, will be issued as fully registered Series 2013A Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2015 | \$210,000 | 2022 | \$230,000 | 2029 | \$270,000 |
| 2016 | 215,000 | 2023 | 230,000 | 2030 | 180,000 |
| 2017 | 220,000 | 2024 | 245,000 | 2031 | 185,000 |
| 2018 | 225,000 | 2025 | 245,000 | 2032 | 195,000 |
| 2019 | 230,000 | 2026 | 250,000 | 2033 | 195,000 |
| 2020 | 230,000 | 2027 | 260,000 | 2034 | 205,000 |
| 2021 | 230,000 | 2028 | 260,000 | | |

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Series 2013A Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Series 2013A Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2014, to the registered owners of the Series 2013A Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).** All Series 2013A Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Series 2013A Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013A Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Series 2013A Bonds. So long as Cede & Co. is the registered owner of the Series 2013A Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2013A Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation ("BTSC"), Roseville, Minnesota, to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, Series 2013A Bonds maturing on or after February 1, 2022 shall be subject to redemption prior to maturity on February 1, 2021 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Series 2013A Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Series 2013A Bonds to be redeemed shall be at the discretion of the City. If only part of the Series 2013A Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Series 2013A Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about June 4, 2013, the Series 2013A Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Series 2013A Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Series 2013A Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Series 2013A Bonds and the exemption from taxation of the interest thereon will be furnished by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, bond counsel to the City, and will accompany the Series 2013A Bonds. The legal opinion will state that the Series 2013A Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Series 2013A Bonds and the enforceability of the Series 2013A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and the enforcement of such laws may be subject to the exercise of judicial discretion in accordance with general principles of equity.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$4,464,900 plus accrued interest on the principal sum of \$4,510,000 from date of original issue of the Series 2013A Bonds to date of delivery. A signed proposal form must be submitted to Ehlers prior to the time established above for the opening of proposals as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit (the "Deposit") in the amount of \$90,200, complying with the provisions below, must be submitted with each proposal. The Deposit must be in the form of a certified or cashier's check, or a financial surety bond or a wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. The Deposit will be returned to the winning bidder at the closing for the Series 2013A Bonds.

The Deposit, payable to the City, shall be retained in the offices of Ehlers with the same effect as if delivered to the City. Alternatively, bidders may wire the Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The City and any bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the losing bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the City. Such bond must be submitted to Ehlers prior to the opening of the proposals. Such bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Series 2013A Bonds are awarded to a bidder using a financial surety bond, then that bidder is required to submit its Deposit to Ehlers in the form of a certified or cashier's check or wire transfer as instructed by Ehlers not later than 3:00 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn by the City to satisfy the Deposit requirement. The amount securing the successful proposal will be retained as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Series 2013A Bonds is adjourned, recessed, or continued to another date without award of the Series 2013A Bonds having been made.

AWARD

The Series 2013A Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Series 2013A Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Series 2013A Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Series 2013A Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Series 2013A Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Series 2013A Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Series 2013A Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Series 2013A Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Series 2013A Bonds. A description of the details and terms of the Undertaking is set forth in the Official Statement.

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Series 2013A Bonds necessary to compute the yield on the Series 2013A Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Series 2013A Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the proposal acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

Steven Nasby, City Administrator
City of Windom, Minnesota

TERMS OF PROPOSAL

\$625,000** GENERAL OBLIGATION BONDS, SERIES 2013B CITY OF WINDOM, MINNESOTA

Proposals for the purchase of \$625,000 General Obligation Bonds, Series 2013B (the "Series 2013B Bonds") of the City of Windom, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on May 7, 2013, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award at a meeting to be held at 7:30 P.M., Central Time, on the same date. The proposal offering to purchase the Series 2013B Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Series 2013B Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 429 and 475, and Sections 410.32 and 412.301, for the purpose of financing the acquisition of capital equipment and improvements in the North Windom Industrial Park. All equipment has an expected useful life at least as long as the term of the Series 2013B Bonds. The Series 2013B Bonds are general obligations of the City, for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Series 2013B Bonds will be dated June 4, 2013, will be issued as fully registered Series 2013B Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount**</u> | <u>Year</u> | <u>Amount**</u> | <u>Year</u> | <u>Amount**</u> |
|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| 2015 | \$65,000 | 2018 | \$70,000 | 2021 | \$70,000 |
| 2016 | 65,000 | 2019 | 70,000 | 2022 | 75,000 |
| 2017 | 65,000 | 2020 | 70,000 | 2023 | 75,000 |

ADJUSTMENT OPTION

** The City reserves the right to increase or decrease the principal amount of the Series 2013B Bonds on the day of sale, in increments of \$5,000. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Series 2013B Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2014, to the registered owners of the Series 2013B Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).** All Series 2013B Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Series 2013B Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013B Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Series 2013B Bonds. So long as Cede & Co. is the registered owner of the Series 2013B Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2013B Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation ("BTSC"), Roseville, Minnesota, to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, Series 2013B Bonds maturing on or after February 1, 2022 shall be subject to prior payment on February 1, 2021 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Series 2013B Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Series 2013B Bonds to be prepaid shall be at the discretion of the City. If only part of the Series 2013B Bonds having a common maturity date are called for prepayment, the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by mailing a notice not more than 60 and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Series 2013B Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about June 4, 2013, the Series 2013B Bonds will be delivered without cost to the original purchaser at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification and certificates verifying that no litigation in any manner questioning the validity of the Series 2013B Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Series 2013B Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Series 2013B Bonds and the exemption from taxation of the interest thereon will be furnished by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, bond counsel to the City, and will accompany the Series 2013B Bonds. The legal opinion will state that the Series 2013B Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the bonds and the enforceability of the bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and the enforcement of such laws may be subject to the exercise of judicial discretion in accordance with general principles of equity.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$615,625 plus accrued interest on the principal sum of \$625,000 from date of original issue of the Series 2013B Bonds to date of delivery. A signed proposal form must be submitted to Ehlers prior to the time established above for the opening of proposals as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021..

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit (the "Deposit") in the amount of \$12,500, complying with the provisions below, must be submitted with each proposal. The Deposit must be in the form of a certified or cashier's check, or a financial surety bond or a wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. The Deposit will be returned to the winning bidder at the closing for the Series 2013B Bonds.

The Deposit, payable to the City, shall be retained in the offices of Ehlers with the same effect as if delivered to the City. Alternatively, bidders may wire the Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The City and any bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired

to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the losing bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the City. Such bond must be submitted to Ehlers prior to the opening of the proposals. Such bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Series 2013B Bonds are awarded to a bidder using a financial surety bond, then that winning bidder is required to submit its Deposit to Ehlers in the form of a certified or cashier's check or wire transfer as instructed by Ehlers not later than 3:00 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn by the City to satisfy the Deposit requirement. The amount securing the successful proposal will be retained as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Series 2013B Bonds is adjourned, recessed, or continued to another date without award of the Series 2013B Bonds having been made.

AWARD

The Series 2013B Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Series 2013B Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Series 2013B Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder of the Series 2013B Bonds. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Series 2013B Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Series 2013B Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Series 2013B Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Series 2013B Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Series 2013B Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Series 2013B Bonds. A description of the details and terms of the Undertaking is set forth in the Official Statement.

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Series 2013B Bonds necessary to compute the yield on the Series 2013B Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Underwriters may obtain a copy of the Preliminary Official Statement relating to the Series 2013B Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies of the Final Official Statement upon request within seven business days of the proposal acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

Steven Nasby, City Administrator
City of Windom, Minnesota

PROPOSAL FORM

The City Council
City of Windom, Minnesota

May 7, 2013

RE: \$4,510,000* General Obligation Improvement Bonds, Series 2013A
DATED: June 4, 2013

For all or none of the above Series 2013A Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Preliminary Official Statement, we will pay you \$ _____ (not less than \$4,464,900) plus accrued interest to date of delivery for fully registered Series 2013A Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | |
|-------------|------|-------------|------|-------------|------|
| _____ % due | 2015 | _____ % due | 2022 | _____ % due | 2029 |
| _____ % due | 2016 | _____ % due | 2023 | _____ % due | 2030 |
| _____ % due | 2017 | _____ % due | 2024 | _____ % due | 2031 |
| _____ % due | 2018 | _____ % due | 2025 | _____ % due | 2032 |
| _____ % due | 2019 | _____ % due | 2026 | _____ % due | 2033 |
| _____ % due | 2020 | _____ % due | 2027 | _____ % due | 2034 |
| _____ % due | 2021 | _____ % due | 2028 | | |

* The City reserves the right to increase or decrease the principal amount of the Series 2013A Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%). All Series 2013A Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$90,200, to be held by you pending delivery and payment. Alternatively, we have provided a financial surety bond or have wired our good faith deposit to the KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138. If our proposal is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Preliminary Official Statement dated April 25, 2013. This proposal is for prompt acceptance and is conditional upon deposit of said Series 2013A Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 4, 2013.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Series 2013A Bonds within 24 hours of the proposal acceptance.

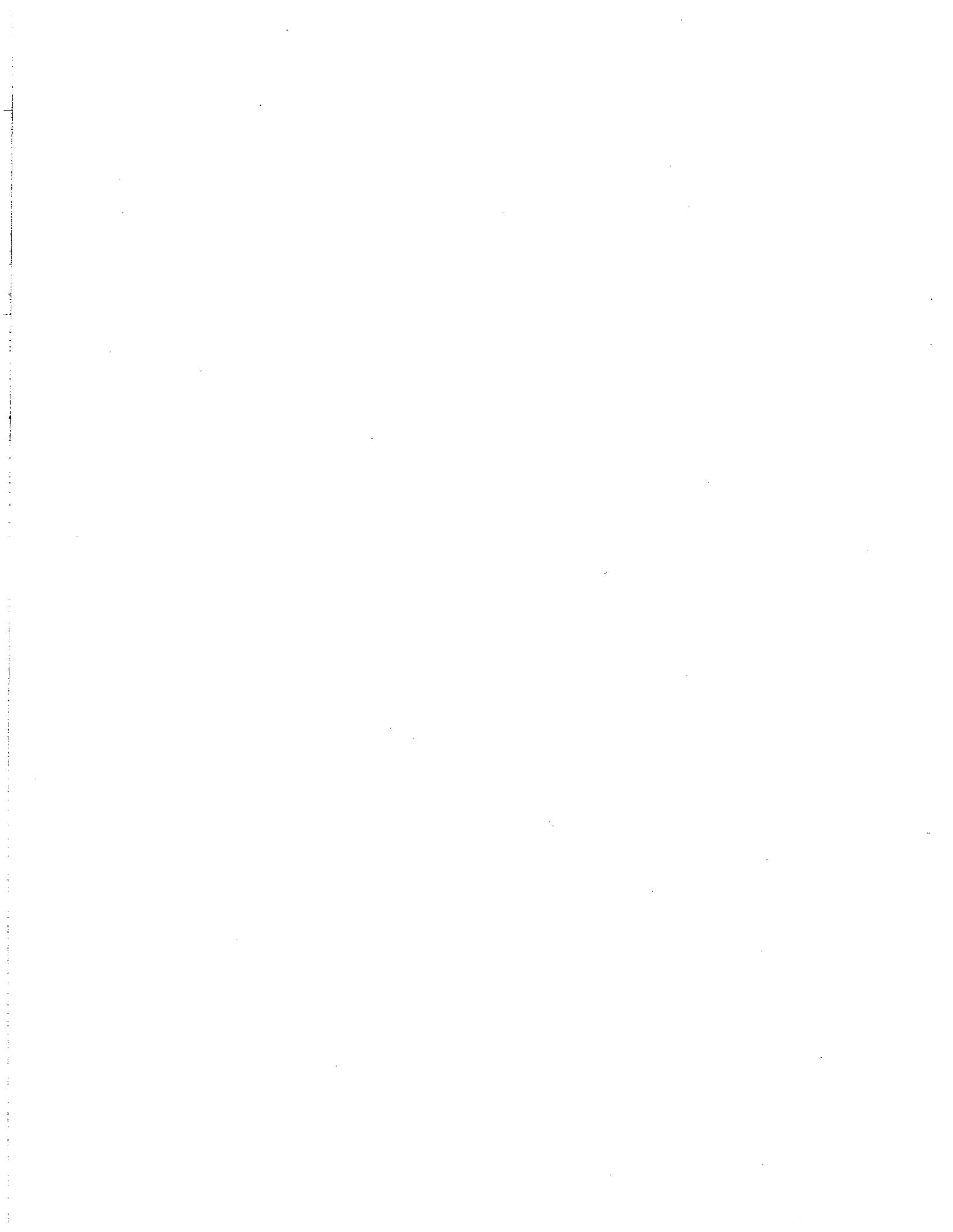
Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 4, 2013 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Windom, Minnesota, on May 7, 2013.

By: _____ By: _____
Title: _____ Title: _____



PROPOSAL FORM

The City Council
City of Windom, Minnesota

May 7, 2013

RE: \$625,000 General Obligation Bonds, Series 2013B**
DATED: June 4, 2013

For all or none of the above Series 2013B Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the purchaser) as stated in this Preliminary Official Statement, we will pay you \$ _____ (not less than \$615,625) plus accrued interest to date of delivery for fully registered Series 2013B Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | | | | |
|-------|-------|------|-------|-------|------|-------|-------|------|
| _____ | % due | 2015 | _____ | % due | 2018 | _____ | % due | 2021 |
| _____ | % due | 2016 | _____ | % due | 2019 | _____ | % due | 2022 |
| _____ | % due | 2017 | _____ | % due | 2020 | _____ | % due | 2023 |

** The City reserves the right to increase or decrease the principal amount of the Series 2013B Bonds on the day of sale, in increments of \$5,000. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%). All Series 2013A Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$12,500, to be held by you pending delivery and payment. Alternatively, we have provided a financial surety bond or have wired our good faith deposit to the **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. If our proposal is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Preliminary Official Statement dated April 25, 2013. This proposal is for prompt acceptance and is conditional upon deposit of said Series 2013B Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 4, 2013.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Series 2013B Bonds within 24 hours of the proposal acceptance.

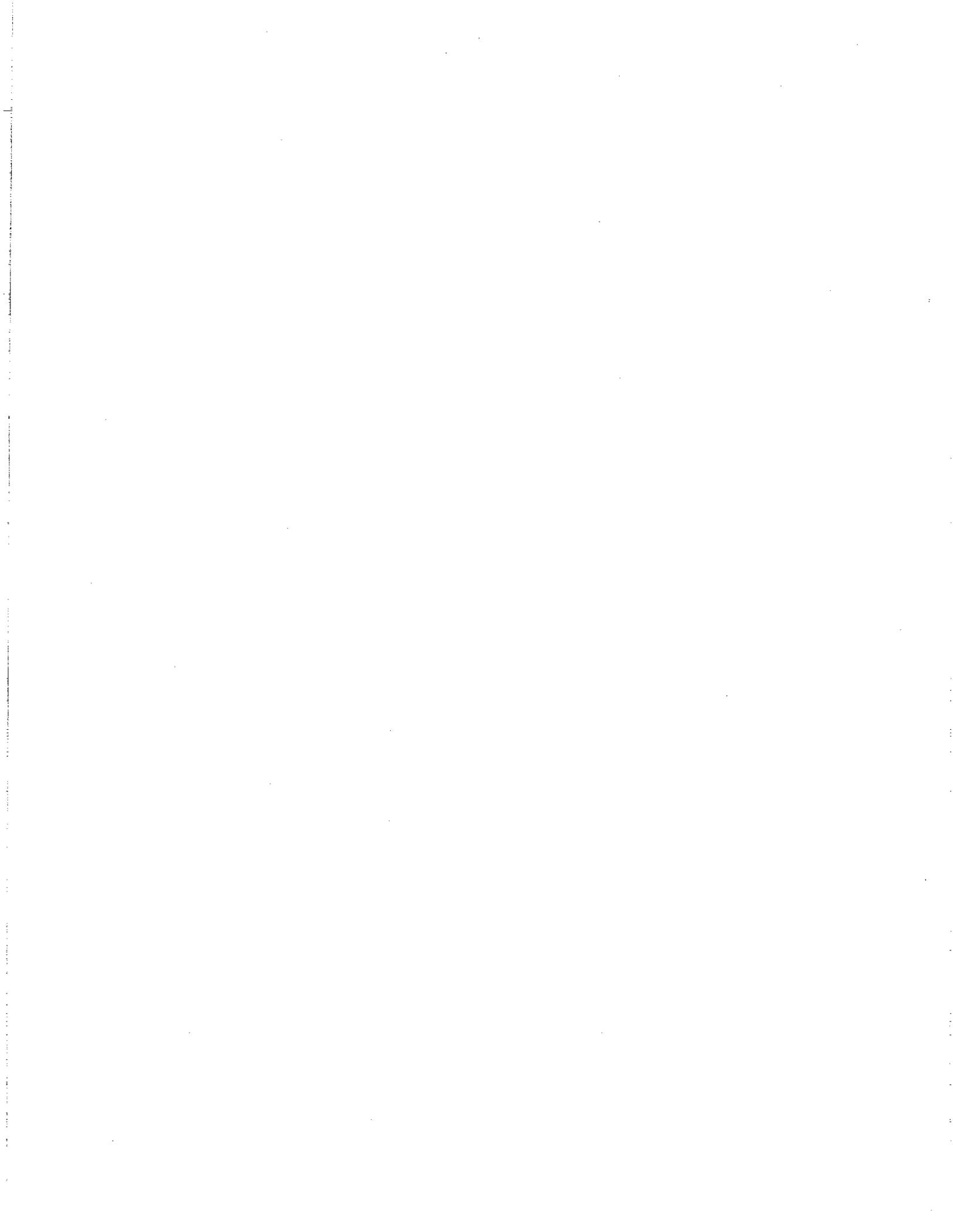
Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 4, 2013 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Windom, Minnesota, on May 7, 2013.

By: _____ By: _____
Title: _____ Title: _____



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
ANDREA M. JOINSON, 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, 2011, 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 general purpose 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 June 28, 2011, 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 \$17,682,038 and liabilities would have increased by \$847,176 respectively as of December 31, 2011, and revenues and expenses would have increased \$13,987,288 and \$12,918,271 respectively for the twelve month period ended December 31, 2011.

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, 2011, 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.



America Counts on CPAs

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507-831-1332 * 1043 FOURTH AVENUE, SUITE 6 * WINDOM, MN 56101

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom, Minnesota financial statements as a whole. The introductory section, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 do not express an opinion or provide any assurance on it.

Dennis Z. Rick, LTD.

Worthington, Minnesota

June 15, 2012

CITY OF WISCONSIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

This section of the City of Wisconsin, 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, 2011. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MDA) is an element of Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Issued in June, 1994.

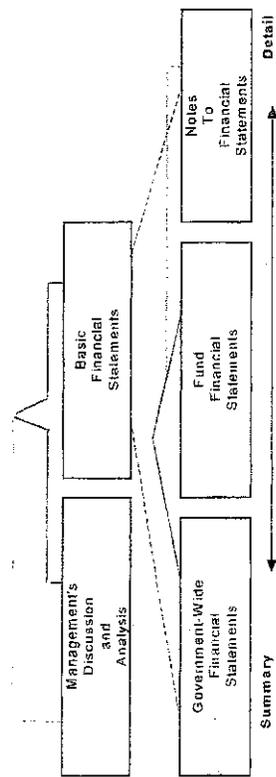
FINANCIAL AND OTHER HIGHLIGHTS

Key financial highlights for the 2011 year include the following:

- The assets of the City exceeded its liabilities at the close of the most recent year by \$21,868,047 (net assets).
- The City's total net assets from operations increased by \$150,729.
- As of the close of the current year, the City's governmental funds reported combined ending net assets of \$7,759,890. Of this total amount, 41% - six (6%) percent or \$3,029,538 is available for use within the City's destinations and policies.
- At the end of the current year, assigned fund balance for the general fund was \$2,140,444 or eighty-five (85) percent of total general fund expenditures. This is in accordance with the fund balance policy that was adopted for the General Fund. A portion of this balance will be used to reduce deficits in other governmental funds.
- The City's net debt, bonded debt increased by \$7,476,774 during the current fiscal year. The net debt, nonbonded debt and wastewater plant upgrades project bond totaling \$3.1 million in bonding. The City received an A+ with Stable Outlook bond rating from S & P.
- The City adopted the provisions of GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions. This changed the reporting of special revenue funds. As of December 31, 2011, the general fund included the operations of the Library, Pool and Airport funds. Likewise, the Economic Development fund includes the operations of any economic development related funds.
- The Wisconsin dam removal and rock rubble project was completed with funding from MR BR and US Fish and Wildlife.

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: financial statements, fund financial statements, and 31 notes to the financial statements. This report also contains other statistical information in addition to the basic financial statements. The diagram below depicts how the various parts of this annual report are arranged and related to one another.



CITY OF WISCONSIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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 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 |
|---|--|---|
| Scope | Entire City | Governmental Funds The activities of the City that are not proprietary, such as public safety, public works and recreation |
| Required Financial Statements | Statement of net assets Statement of activities | Statement of net assets Statement of revenues, expenses, and changes in fund balances Statement of cash flows |
| Accounting Basis and Measurement Focus | Modified accrual | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and non-financial, short-term and long-term | Generally assets expected to be liquid and liabilities due within the year or within the year or long-term |
| Type of Inflow/Outflow Information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues and expenses recognized during or soon after the end of the year, regardless of when cash is received or paid |

Government-Wide Financial Statements

The government-wide financial statements are designed to provide information 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. Net assets increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF WISCONSIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Change in Net Assets

Governmental activities decreased the City's net assets by \$22,154, thereby accounting for 15 percent of the total change in the net assets of the City. The majority of this change is due to an increase in expenses and reductions in share aids.

Program-Type Activities
Recreational activities increased the City's net assets by \$12,840. The increase would have been \$90,453 with inclusion of the Lakota fund. The largest portion of the lower increase in net assets in the enterprise funds results from liabilities exceeding assets by \$6,906,717 and expenses exceeding revenues by \$722,593 in the Lakota fund.

A summary of the City's change in net assets for the year ended December 31, 2011, is as follows:

CHANGE IN NET ASSETS - 2011

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 699,225 | \$ 11,015,956 | \$ 11,715,181 |
| Capital Grants and Contributions | 107,306 | 195,910 | 303,216 |
| General Revenues | 1,094,141 | 454,397 | 1,548,538 |
| Unallocated Federal and State Aid | 1,417,123 | 19,418 | 1,436,541 |
| Other | 915,752 | 12,732,545 | 13,648,297 |
| Total Revenues | 3,234,547 | 13,711,226 | 16,945,773 |
| Expenses | | | |
| General Government | 441,148 | - | 441,148 |
| Public Safety | 1,421,918 | - | 1,421,918 |
| Public Works | 619,352 | - | 619,352 |
| Health & Welfare | 44,337 | - | 44,337 |
| Utility & Recreation | 556,723 | - | 556,723 |
| Conservation & Economic Development | 385,706 | - | 385,706 |
| Airport | 233,103 | - | 233,103 |
| Intersect on Long-Term Debt | 497,272 | - | 497,272 |
| Other | - | 1,356,172 | 1,356,172 |
| ELDERCARE | - | 774,665 | 774,665 |
| Schools | - | 5,185,330 | 5,185,330 |
| Police | - | 934,934 | 934,934 |
| Tribes | - | 2,690,652 | 2,690,652 |
| Arts | - | 319,623 | 319,623 |
| Multi-Purpose | - | 305,093 | 305,093 |
| Unallocated Federal and State Aid | - | 27,813 | 27,813 |
| Total Expenses | 4,793,359 | 11,643,570 | 6,436,929 |
| Increase (Decrease) in Net Assets before Transfers | (1,558,812) | 2,067,656 | 508,844 |
| Transfers | (23,174) | 172,840 | 149,666 |
| Change in Net Assets | (1,581,986) | 2,240,496 | 658,510 |
| Net Assets - Beginning | 167,663,095 | 10,955,317 | 178,618,412 |
| Net Assets - Ending - December 31, 2011 | 166,081,109 | 13,195,813 | 179,276,922 |

CITY OF WISCONSIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2010, is as follows:

CHANGE IN NET ASSETS - 2010

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 810,140 | \$ 12,462,181 | \$ 13,272,321 |
| Capital Grants and Contributions | 334,825 | - | 334,825 |
| General Revenues | 901,399 | 189,640 | 1,091,039 |
| Unallocated Federal and State Aid | 1,415,137 | - | 1,415,137 |
| Other | 611,426 | 9,566 | 620,992 |
| Total Revenues | 3,062,927 | 12,661,427 | 15,724,354 |
| Expenses | | | |
| General Government | 432,583 | - | 432,583 |
| Public Safety | 1,374,293 | - | 1,374,293 |
| Public Works | 871,145 | - | 871,145 |
| Health & Welfare | 2,065,497 | - | 2,065,497 |
| Culture & Recreation | 559,529 | - | 559,529 |
| Conservation & Economic Development | 675,863 | - | 675,863 |
| Airport | 191,917 | - | 191,917 |
| Intersect on Long-Term Debt | 456,485 | - | 456,485 |
| Other | - | 1,467,183 | 1,467,183 |
| ELDERCARE | - | 893,142 | 893,142 |
| Schools | - | 5,218,809 | 5,218,809 |
| Tribes | - | 2,643,194 | 2,643,194 |
| Arts | - | 387,117 | 387,117 |
| Multi-Purpose | - | 107,146 | 107,146 |
| Unallocated Federal and State Aid | - | 11,733,629 | 11,733,629 |
| Total Expenses | 6,510,730 | 11,733,629 | 18,244,359 |
| Increase (Decrease) in Net Assets before Transfers | (3,447,803) | 927,798 | (2,519,999) |
| Transfers | (23,174) | 1,117,084 | 893,910 |
| Change in Net Assets | (3,470,977) | 2,044,882 | (1,426,095) |
| Net Assets - Beginning | 10,955,317 | 9,538,533 | 20,493,850 |
| Net Assets - Ending - December 31, 2010 | 7,484,340 | 11,583,415 | 19,067,755 |

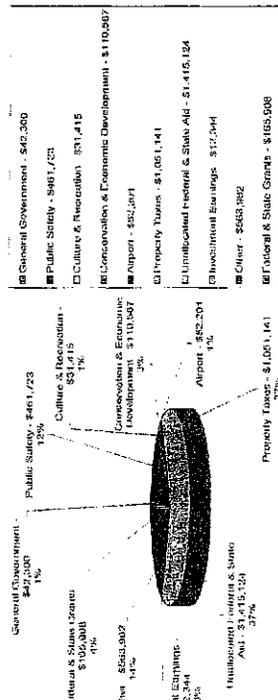
CITY OF WINNOKA, MINNESOTA
 FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

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

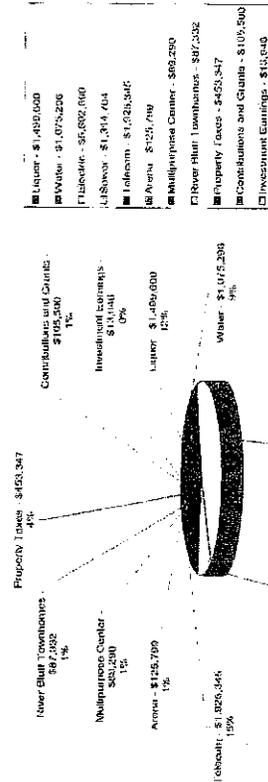
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

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

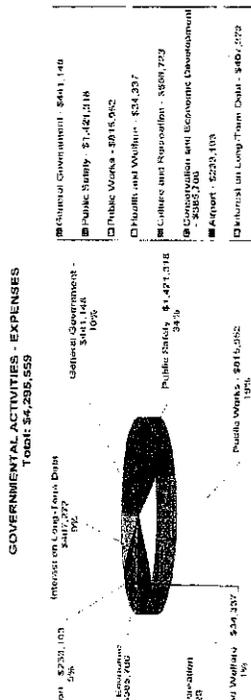
GOVERNMENTAL ACTIVITIES - REVENUES
 Total: \$3,906,705



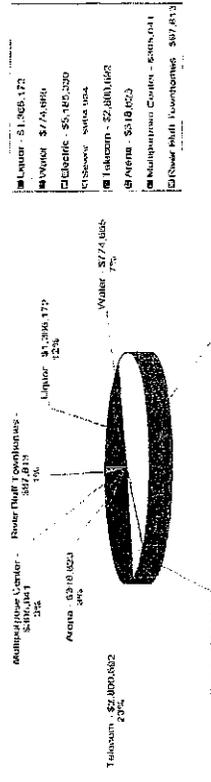
BUSINESS-TYPE ACTIVITIES - REVENUES
 Total: \$72,382,940



GOVERNMENTAL ACTIVITIES - EXPENSES
 Total: \$4,295,559



BUSINESS-TYPE ACTIVITIES - EXPENSES
 Total: \$11,043,270



CITY OF WINNEBAGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 financial requirements. In particular, unassigned 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 \$5,151,979, an increase of \$641,646 in comparison with the prior year. Of this total, a deficit balance of \$1,140,887 of the fund balances are unassigned, which indicates that these funds are not available for spending.

One special fund is the short operating fund of the City. At the end of the current fiscal year, the total balance of the operating fund was \$2,740,137, of which \$2,140,449 was assigned in accordance with the petty reporting fund balance.

The fund balance of the City's general fund increased by \$368,963 during the current fiscal year. This year's increase was due to favorable revenue and expenditure budget variances.

Business-Type Funds

The City's business type (proprietary) funds provide the same type of information found in the governmental fund 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 \$11,129,157, an increase of \$12,640 in comparison with the prior year. Of this total, a deficit balance of \$1,286,179 of the net assets is unassigned and unassigned, which indicates that portion of net assets that are not available for spending. The majority of this deficit is due to the Water Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved the original 2011 general fund budget in December of 2010, anticipating a increase in the general fund of \$74,372.

The City's general fund increased its fund balance by \$368,963 due to higher than anticipated revenues and budget reductions in departmental expenses. A strong City General Fund balance is necessary to balance the cash flow needs of the community, meet bond payment obligations, guard against additional State Aid losses, and keep a good bond rating.

- Actual revenues were \$368,963, or 16 percent, more than budgeted amounts.
- Actual expenditures were \$70,474, or 3 percent, more than budgeted. This overall variance was a combination of negative variances in general government, health and welfare, public works, and police 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, 2011, amounts to \$30,801,508 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and other. The total increase in the City's investment in capital assets for the current fiscal year was \$1,529,648 or 5 percent. Governmental activities and business-type activities accounted for 32 percent and 48 percent of the increases respectively.

CITY OF WINNEBAGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (Cont'd)

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

CAPITAL ASSETS - NET OF DEPRECIATION - 2011

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|-------------------------|--------------------------|----------------------|
| Land | \$ 227,061 | \$ 153,429 | \$ 380,490 |
| Buildings and Improvements | \$ 3,057,772 | \$ 9,530,908 | \$ 12,588,680 |
| Machinery and Equipment | \$ 694,701 | \$ 4,011,136 | \$ 4,705,837 |
| Other | \$ 307,194 | \$ 11,854,549 | \$ 12,161,743 |
| Total - December 31, 2011 | \$ 4,286,728 | \$ 25,550,022 | \$ 30,801,508 |

CAPITAL ASSETS - NET OF DEPRECIATION - 2010

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|-------------------------|--------------------------|----------------------|
| Land | \$ 227,061 | \$ 153,429 | \$ 380,490 |
| Buildings and Improvements | \$ 1,615,475 | \$ 9,662,961 | \$ 11,278,436 |
| Machinery and Equipment | \$ 1,103,197 | \$ 4,011,136 | \$ 5,114,333 |
| Other | \$ 1,038,525 | \$ 12,056,337 | \$ 13,094,862 |
| Total - December 31, 2010 | \$ 4,084,258 | \$ 25,883,863 | \$ 30,968,121 |

Bonded Debt

At year-end, the City had \$31,014,769 in outstanding bonded debt. Detailed information about the City's bonded debt and other debt items is presented in the notes to the financial statements.

OUTSTANDING BONDED DEBT - 2011

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|-------------------------|--------------------------|----------------------|
| General Obligation Bonds | \$ 5,082,108 | \$ 3,221,000 | \$ 8,303,108 |
| General Obligation Revenue Bonds | - | \$ 2,228,461 | \$ 2,228,461 |
| Revenue Bonds | \$ 5,065,408 | \$ 1,689,901 | \$ 6,755,309 |
| Total 2011 | \$ 10,147,516 | \$ 5,139,362 | \$ 15,286,878 |

OUTSTANDING BONDED DEBT - 2010

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------|-------------------------|--------------------------|---------------------|
| Bonded Debt | \$ 4,466,865 | \$ 3,367,400 | \$ 7,834,265 |
| General Obligation Bonds | - | \$ 2,228,461 | \$ 2,228,461 |
| Revenue Bonds | - | \$ 1,138,939 | \$ 1,138,939 |
| Total 2010 | \$ 4,466,865 | \$ 4,525,799 | \$ 8,992,664 |

CITY OF WINNOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

FACTORS BEARING ON THE CITY'S FUTURE

- The City completed a five year capital improvement plan and associated five year financial management plan as part of a long range planning process.
- The City is re-examining existing bond issues which will provide substantial cost savings.
- There is stability in the property tax levy with the levy increasing by 0.04 in 2011 and 1.6% in 2012.
- The telecommunications underwrite fund continues to hold its operations and lower the loss in this account. New partnerships with other telecom providers and the Starbuck Resources broadband group will provide additional revenue to the telecommunications fund in future years.
- The Electric Fund continues to be in a strong financial position. Through its partnership with the Electric Fund has investments in energy generation and transmission. Both of these investments are planned to provide a future return to the Winnom utility.
- The City's investment markets have been volatile significantly over the past few years due to the dramatically lower interest rates and restrictions in invested funds.
- Property tax income and other receipts at the state level have significantly impacted government aid payments made to the City. The City's state aid was reduced for 2011 and 2012 by approximately \$15,000 per year. The current year's aid was approximately \$14,000. Despite the volatility, the general fund reported an increase in fund balance. The City Council maintains a goal of 75 to 100 percent of assigned debt balances of operating expenditures for the general fund. A portion of the general fund balance will be used to reduce deficits in other governmental funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, 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 you have questions about this report or need additional financial information, contact the City Administrator, City of Winnom, 344 9th Street, P. O. Box 36, Winnom, MN 56101 or call (507) 831-5128.

CITY OF WINONA, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

| | EXPENSES/PROGRAMS | | PROGRAM REVENUES | |
|---------------------------------------|-------------------|----------------------|------------------------------------|-------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Operating Contributions |
| Government Activities: | | | | |
| General government | \$ 441,340 | \$ 47,300 | \$ 10,705 | |
| Public safety | 1,421,310 | 461,723 | - | |
| Public works | 815,952 | - | - | |
| Health and welfare | 34,337 | - | - | |
| Culture and recreation | 556,723 | 31,445 | - | |
| Conservation and economic development | 303,706 | 110,587 | - | |
| Airport | 233,103 | 52,201 | - | |
| Interest on long-term debt | 407,272 | - | - | |
| Total government activities | 4,295,555 | 658,226 | 10,705 | |
| Business-type Activities: | | | | |
| Municipal liquor | 1,366,172 | 1,459,600 | - | |
| Water | 774,665 | 1,075,296 | - | |
| Electric | 5,185,330 | 5,692,690 | - | |
| Sewer | 994,894 | 1,314,704 | - | |
| Telecom | 2,800,692 | 1,925,345 | - | |
| Arens | 318,623 | 135,799 | - | |
| Multi-Purpose Center | 305,041 | 89,250 | - | |
| River Bluff Townhomes | 97,813 | 87,332 | - | |
| Total business-type activities | 11,843,270 | 11,810,056 | - | |
| Total government | \$ 16,138,825 | \$ 12,508,282 | \$ 10,705 | |

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, 2011

Net assets, December 31, 2011

| | Net (Expense) Revenue and Change in Net Assets | | | |
|--|--|-----------------------|--------------------------|---------------|
| | Capital Grants and Contributions | Government Activities | Business-type Activities | Total |
| | \$ - | \$ (389,143) | \$ - | \$ (389,143) |
| | 3,000 | (956,595) | - | (956,595) |
| | - | (835,952) | - | (835,952) |
| | - | (14,357) | - | (14,357) |
| | 11,000 | (514,308) | - | (514,308) |
| | 94,632 | (180,487) | - | (180,487) |
| | 46,571 | (134,331) | - | (134,331) |
| | - | (407,272) | - | (407,272) |
| | 155,203 | (1,431,425) | - | (1,431,425) |
| | - | - | 133,428 | 133,428 |
| | - | - | 300,631 | 300,631 |
| | - | - | 507,360 | 507,360 |
| | - | - | 319,770 | 319,770 |
| | 109,000 | - | (775,347) | (775,347) |
| | - | - | (192,824) | (192,824) |
| | - | - | (215,751) | (215,751) |
| | - | - | (10,481) | (10,481) |
| | 100,000 | - | 66,786 | 66,786 |
| | 255,203 | (3,431,425) | 66,786 | (3,764,619) |
| | \$ - | \$ 1,051,141 | \$ 453,347 | \$ 1,504,488 |
| | - | 1,415,124 | - | 1,415,124 |
| | - | 5,500 | - | 5,500 |
| | - | 12,344 | 13,946 | 26,290 |
| | - | 563,962 | - | 563,962 |
| | - | 365,738 | (366,739) | - |
| | 3,409,310 | 106,054 | - | 3,515,364 |
| | (21,115) | 171,840 | - | 150,725 |
| | 10,762,005 | 10,955,317 | - | 21,717,322 |
| | \$ 10,739,890 | \$ 11,126,157 | \$ - | \$ 21,866,047 |

The accompanying notes are an integral part of the financial statements

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

| | General Fund | Special Revenue Economic Development Fund | Nonmajor Governmental Funds (Schedule 1) | Total Governmental Funds |
|---|---------------------|---|---|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash on hand, checking and and time deposits | \$ 2,132,603 | \$ 1,106,936 | \$ 863,442 | \$ 4,102,981 |
| Restricted cash | - | - | 774,606 | 774,606 |
| Accounts receivable, net of allowances of \$8,750 | 3,720 | - | 148,661 | 152,381 |
| Current taxes receivable | 51,028 | - | - | 51,028 |
| Special assessments receivable: | | | | |
| Current and deferred | - | - | 890,634 | 890,634 |
| Delinquent | - | - | 9,643 | 9,643 |
| Loans receivable | - | 81,731 | - | 81,731 |
| Property held for resale, construction in progress | 20,693 | 1,161,494 | - | 1,182,187 |
| Total assets | <u>\$ 2,208,044</u> | <u>\$ 2,350,161</u> | <u>\$ 2,686,986</u> | <u>\$ 7,245,191</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts payable | \$ 4,632 | \$ 124,329 | \$ 261,372 | \$ 390,333 |
| Customer deposits | 400 | - | - | 400 |
| Deferred revenues, current taxes | 41,875 | - | - | 41,875 |
| Deferred revenues, special assessments | - | - | 890,634 | 890,634 |
| Interfund notes payable | - | 50,314 | - | 50,314 |
| Notes payable | - | 426,723 | 293,337 | 720,060 |
| Total liabilities | <u>46,907</u> | <u>601,366</u> | <u>1,445,343</u> | <u>2,093,616</u> |
| <u>Fund Balances:</u> | | | | |
| Fund balance - nonspendable | 20,693 | 1,161,494 | - | 1,182,187 |
| Fund balance - restricted | - | - | 774,606 | 774,606 |
| Fund balance - assigned | 2,140,444 | 587,301 | 1,785,920 | 4,513,665 |
| Fund balance - unassigned | - | - | (1,318,883) | (1,318,883) |
| Total fund balances | <u>2,161,137</u> | <u>1,748,795</u> | <u>1,241,643</u> | <u>5,151,575</u> |
| Total liabilities and fund balance | <u>\$ 2,208,044</u> | <u>\$ 2,350,161</u> | <u>\$ 2,686,986</u> | <u>\$ 7,245,191</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, 2011

| | | |
|---|--------------------|--------------------|
| Total Fund Balances for Governmental Funds | \$ | 5,151,575 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:</p> | | |
| Land and construction in progress | \$ 227,061 | |
| Other capital assets | 17,013,143 | |
| Accumulated depreciation | <u>(7,183,471)</u> | 10,056,733 |
| <p>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</p> | | |
| | | 932,509 |
| <p>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:</p> | | |
| Bonds payable and accrued leave payable | | <u>(5,400,927)</u> |
| Total Net Assets of Governmental Activities | \$ | <u>10,739,890</u> |

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCESGOVERNMENTAL FUNDSFOR THE YEAR ENDED DECEMBER 31, 2011

| Revenues | General Fund | Special Revenue | | Nonmajor Governmental Funds (Schedule 2) | Total Governmental Funds |
|---|------------------|---------------------------------|----|---|--------------------------------|
| | | Economic Development Fund | | | |
| | | | | | |
| Local property taxes | \$ 790,425 | \$ 123,830 | \$ | 136,065 | \$ 1,050,320 |
| Special assessments | - | - | | 176,563 | 176,563 |
| Licenses and permits | 55,918 | 4,156 | | - | 60,074 |
| Intergovernmental revenues | 1,412,099 | - | | 3,025 | 1,415,124 |
| Federal grants | - | - | | - | - |
| State grants | 46,571 | 94,632 | | 3,000 | 144,203 |
| Charges for services and facilities | 125,916 | 110,587 | | 461,723 | 698,226 |
| Fines and forfeits | 28,471 | - | | - | 28,471 |
| Investment income | 6,372 | 1,306 | | 4,666 | 12,344 |
| Other revenues | 146,691 | 339,762 | | 10,669 | 497,122 |
| Total revenues | 2,612,463 | 674,273 | | 795,711 | 4,082,447 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| General government | 374,885 | - | | - | 374,885 |
| Public safety | 984,154 | - | | 254,025 | 1,238,179 |
| Public works | 484,957 | - | | 2,746 | 487,703 |
| Health and welfare | 23,676 | - | | - | 23,676 |
| Culture and recreation: | | | | | |
| Parks and general | 199,135 | - | | - | 199,135 |
| Library | 168,568 | - | | - | 168,568 |
| Swim pool | 78,344 | - | | - | 78,344 |
| Conservation and development: | | | | | |
| Economic development & assistance | - | 380,610 | | - | 380,610 |
| Airport | 94,148 | - | | - | 94,148 |
| Capital outlay: | | | | | |
| Other | 96,737 | - | | 756,726 | 853,463 |
| Debt service: | | | | | |
| Principal retirement | - | - | | 396,557 | 396,557 |
| Interest and fiscal charges | - | 209,044 | | 198,228 | 407,272 |
| Total expenditures | 2,504,604 | 589,654 | | 1,608,282 | 4,702,540 |
| Excess of revenues over (under) expenditures | 107,859 | 84,619 | | (812,571) | (620,093) |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Proceeds from bond issuance | - | | | 795,000 | 795,000 |
| Operating transfers in | 253,104 | - | | 125,442 | 378,546 |
| Operating transfers out | - | (3,703) | | (8,104) | (11,807) |
| Total other financing sources (uses) | 253,104 | (3,703) | | 912,338 | 1,161,739 |
| Net change in fund balances | 360,963 | 80,916 | | 99,767 | 541,646 |
| Fund balance, January 1, 2011 - *Restated | * 1,800,174 | * 1,667,879 | | 1,141,876 | 4,609,929 |
| Fund balance, December 31, 2011 | \$ 2,161,137 | \$ 1,748,795 | \$ | 1,241,643 | \$ 5,151,575 |

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, 2011

| | | |
|--|----|------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 541,646 |
| 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 | \$ | 28,635 |
| Change in accrual for deferred taxes - special assessments | | <u>(204,377)</u> |
| | | (175,742) |
| 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 | | 853,463 |
| Less current year depreciation | | <u>906,238</u> |
| | | (52,775) |
| 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 of bond issuance | | (795,000) |
| Repayment of bonds | | <u>396,557</u> |
| | | (398,443) |
| 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>63,199</u> |
| Change in Net Assets of Governmental Activities | \$ | <u><u>(22,115)</u></u> |

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

| Revenues | 2011 Budgeted Amount | | 2011 Actual | Variance with Final Budget Over (Under) |
|---|----------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Local property taxes | \$ 659,105 | \$ 659,105 | \$ 790,425 | \$ 131,320 |
| Licenses and permits | 41,850 | 41,850 | 55,918 | 14,068 |
| Intergovernmental revenues | 1,189,500 | 1,189,500 | 1,412,099 | 222,599 |
| State grants | 16,000 | 16,000 | 46,571 | 30,571 |
| Charges for services and facilities | 130,500 | 130,500 | 125,916 | (4,584) |
| Fines and forfeits | 27,500 | 27,500 | 28,471 | 971 |
| Investment income | 13,000 | 13,000 | 6,372 | (6,628) |
| Other revenues | 136,650 | 136,650 | 146,691 | 10,041 |
| Total revenues | 2,214,105 | 2,214,105 | 2,612,463 | 398,358 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 396,235 | 396,235 | 374,885 | (21,350) |
| Public safety | 963,170 | 963,170 | 984,154 | 20,984 |
| Public works | 530,650 | 530,650 | 484,957 | (45,693) |
| Health and welfare | 27,800 | 27,800 | 23,676 | (4,124) |
| Culture and recreation: | | | | |
| Parks and general | 217,820 | 217,820 | 199,135 | (18,685) |
| Library | 164,655 | 164,655 | 168,568 | 3,913 |
| Swim Pool | 71,800 | 71,800 | 78,344 | 6,544 |
| Airport | 62,000 | 62,000 | 94,148 | 32,148 |
| Capital outlay: | | | | |
| Other | - | - | 96,737 | 96,737 |
| Total expenditures | 2,434,130 | 2,434,130 | 2,504,604 | 70,474 |
| Excess of revenues over (under) expenditures | (220,025) | (220,025) | 107,859 | 327,884 |
| Other Financing Sources | | | | |
| Operating transfers in | 245,000 | 245,000 | 253,104 | 8,104 |
| Net change in fund balances | 24,975 | 24,975 | 360,963 | 335,988 |
| Fund balance, January 1, 2011 | * 1,800,174 | * 1,800,174 | * 1,800,174 | - |
| *Restated* | | | | |
| Fund balance, December 31, 2011 | \$ 1,825,149 | \$ 1,825,149 | \$ 2,161,137 | \$ 335,988 |

The accompanying notes are an integral part of the financial statements

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011

Exhibit H

| | Municipal | | Motor | | Electric | | Telephone | | Home for | |
|---|-----------|-----------|------------|------|----------|------|-----------|------|----------|------|
| | Fund | Fund | Fund | Fund | Fund | Fund | Fund | Fund | Fund | Fund |
| ASSETS | | | | | | | | | | |
| Cash and interest-bearing deposits | 459,940 | 862,166 | 4,740,751 | | | | | | | |
| Restricted cash | 0 | 915,227 | | | | | | | | |
| Accounts and accrued interest receivable | 0 | 70,097 | 442,377 | | | | | | | |
| Interfund notes receivable | 0 | 0 | 50,314 | | | | | | | |
| Investor fees | 375,776 | 27,779 | 503,954 | | | | | | | |
| Total current assets | 835,716 | 1,075,269 | 5,736,896 | | | | | | | |
| Fixed | | | | | | | | | | |
| Property, plant, equipment | 404,741 | 8,413,714 | 10,551,779 | | | | | | | |
| Less: accumulated depreciation | 270,500 | 4,434,225 | 6,679,032 | | | | | | | |
| Net fixed assets | 134,241 | 3,979,489 | 3,872,747 | | | | | | | |
| Other | | | | | | | | | | |
| Bond issue costs, net of accumulated amortization | | 9,143 | | | | | | | | |
| Bond discount costs, net of accumulated amortization | | 9,277 | | | | | | | | |
| Total other assets | | 18,420 | | | | | | | | |
| Total assets | 777,957 | 5,273,758 | 9,597,236 | | | | | | | |
| LIABILITIES | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Cash deficiency | | | | | | | | | | |
| Accounts payable | 48,118 | 7,963 | 302,378 | | | | | | | |
| Interest payable | | 20,982 | | | | | | | | |
| Deferred revenues, and other | | | | | | | | | | |
| Customer deposits | | | 91,483 | | | | | | | |
| Notes payable within one year | | | | | | | | | | |
| Special assessments payable within one year | | 129,750 | | | | | | | | |
| Bond principal payable within one year | | 284,400 | | | | | | | | |
| Total current liabilities | 48,118 | 443,295 | 394,461 | | | | | | | |
| Non-current liabilities and other credits | | | | | | | | | | |
| Accrued vacation and sick | 128,757 | 64,594 | 207,228 | | | | | | | |
| Notes payable | | | | | | | | | | |
| Bond premium, net of accumulated amortization | | | | | | | | | | |
| G.O. revenue bonds principal payable beyond one year (net of amortized discounts) | 126,757 | 2,021,072 | 202,228 | | | | | | | |
| Total non-current liabilities | 176,875 | 2,086,666 | 409,456 | | | | | | | |
| Total liabilities | 225,093 | 2,529,961 | 803,917 | | | | | | | |
| Net Assets | | | | | | | | | | |
| Invested in capital assets, net of related debt | 134,241 | 1,643,657 | 3,460,940 | | | | | | | |
| Restricted | 405,967 | 515,227 | | | | | | | | |
| Unreserved (deficit) | 600,208 | 605,303 | 5,135,907 | | | | | | | |
| Total net assets | 1,140,416 | 2,164,187 | 8,602,854 | | | | | | | |

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
INDEPENDENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Business-type | | | | Enterprise Funds | | | | Total |
|--|-------------------|---------------|------------------|---|------------------|-------------------|-----------|--------------|-------|
| | Municipal Fund | Water Fund | Electric Fund | Nonmajor Enterprise Funds (Schedule 4) | Sewer Fund | Telephone Fund | | | |
| Sales and cost of sales | | | | | | | | | |
| Sales | \$ 1,499,600 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,499,600 | |
| Cost of sales | 1,052,441 | - | - | - | - | - | - | 1,052,441 | |
| Gross profit on sales | 447,159 | - | - | - | - | - | - | 447,159 | |
| OPERATING EXPENSES | | | | | | | | | |
| Salaries for wages | - | 1,071,421 | 5,506,304 | - | 1,284,024 | 1,896,605 | - | 9,758,754 | |
| Materials and service sales income | - | 846 | 10,889 | - | 29,580 | - | - | 42,315 | |
| Facility use and other revenues | - | 2,622 | 175,497 | - | - | - | 302,421 | 682,207 | |
| Total operating revenues | - | 1,075,256 | 5,692,690 | - | 1,314,704 | 2,092,343 | 302,421 | 10,110,416 | |
| OPERATING EXPENSES | | | | | | | | | |
| Rentals, contract, internet and signal costs | - | - | 3,791,209 | - | - | 539,622 | - | 4,331,531 | |
| Salaries and wages | 183,516 | 151,195 | 412,435 | - | 254,334 | 350,127 | 236,082 | 1,587,789 | |
| Payroll taxes | 26,636 | 31,571 | 59,463 | - | 36,417 | 34,744 | 33,780 | 201,599 | |
| Employee insurance | 24,244 | 34,126 | 50,370 | - | 43,283 | 67,550 | 41,221 | 389,094 | |
| Supplies and maintenance costs | 7,769 | 52,257 | 133,872 | - | 78,451 | 105,284 | 77,377 | 455,101 | |
| Utilities | 12,459 | 54,210 | 3,270 | - | 184,616 | 24,065 | 92,410 | 371,078 | |
| Insurance | 13,508 | 16,509 | 72,505 | - | 14,808 | 10,109 | 23,957 | 151,396 | |
| Depreciation and amortization | 14,403 | 268,073 | 388,223 | - | 204,124 | 736,480 | 136,655 | 1,736,158 | |
| Other operating expenses | 31,165 | 119,435 | 285,183 | - | 132,912 | 330,711 | 74,141 | 952,552 | |
| Total operating expenses | 313,731 | 716,416 | 5,169,230 | - | 947,150 | 2,121,756 | 705,711 | 10,000,094 | |
| Operating income (loss) | 133,428 | 358,840 | 507,360 | - | 367,554 | (156,411) | (403,290) | 797,521 | |
| OTHER REVENUES | | | | | | | | | |
| Investment income | - | 1 | 6,766 | - | 5 | 5,174 | - | 13,946 | |
| Local property taxes | - | 6,728 | - | - | 7,394 | 41,580 | 397,645 | 453,347 | |
| Contributions/subsidies | - | - | - | - | - | - | 5,580 | 5,580 | |
| Total other revenues | - | 6,729 | 6,766 | - | 7,399 | 46,754 | 403,245 | 472,793 | |
| Other charges | | | | | | | | | |
| Interest and debt services | - | 56,249 | - | - | 47,784 | 602,236 | 15,766 | 730,735 | |
| Total other charges | - | 56,249 | - | - | 47,784 | 602,236 | 15,766 | 730,735 | |
| Net income (loss) before operating transfers | 133,428 | 307,360 | 516,126 | - | 327,169 | (726,593) | (15,911) | 539,579 | |
| Operating transfers - in | - | - | - | - | - | - | 937 | 937 | |
| Operating transfers - out | (70,937) | (75,268) | (175,000) | - | (46,471) | - | - | (387,676) | |
| Change in net assets | 62,491 | 232,092 | 341,126 | - | 280,698 | (726,593) | (14,974) | 172,040 | |
| Net assets (deficit), January 1, 2011 | 537,717 | 2,511,905 | 8,659,421 | - | 4,123,632 | 16,148,133 | 1,265,708 | 10,985,317 | |
| Net assets (deficit), December 31, 2011 | 600,208 | 2,743,997 | 9,000,547 | - | 4,404,330 | 15,421,540 | 1,250,734 | 11,126,157 | |

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
 SUPPLEMENTARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Business-Type | | | | Non-Business-Type | | | | Totals |
|--|-------------------|---------------|------------------|--------------------|-------------------|----------------|--------------------|---------------|--------|
| | Municipal Fund | Water Fund | Electric Fund | Enterprise Fund | Sewer Fund | Telcom Fund | Enterprise Fund | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | | |
| Cash received from customers | \$ 1,496,564 | \$ 1,073,756 | \$ 5,611,796 | \$ 302,121 | \$ 1,316,407 | \$ 1,089,579 | \$ 302,121 | \$ 11,890,233 | |
| Cash payments to suppliers for goods and services | (1,094,803) | (116,347) | (4,037,434) | (101,112) | (329,035) | (657,528) | (101,112) | (6,216,671) | |
| Cash payments to/for employees for services | (235,791) | (206,106) | (331,107) | (310,984) | (334,303) | (430,193) | (310,984) | (2,048,434) | |
| Other revenue | - | 2,629 | 171,497 | - | - | 124,740 | - | 306,866 | |
| Other expense | (31,165) | (118,435) | (265,183) | - | (132,971) | (320,111) | (74,141) | (952,552) | |
| Net cash provided (used) by operating activities | 134,817 | 635,507 | 953,579 | 126,416 | 720,192 | 599,407 | 126,416 | 2,779,466 | |
| CASH FLOWS FROM NON-CREDIT FINANCING ACTIVITIES: | | | | | | | | | |
| Cash received from property taxes | - | 6,728 | - | - | 7,394 | 41,500 | 397,645 | 453,347 | |
| Interest received | - | - | 8,766 | - | - | 5,174 | - | 13,946 | |
| Operating transfers - in | (70,937) | (75,258) | (175,000) | - | - | - | 937 | 937 | |
| Operating transfers - out | - | - | - | - | (46,471) | - | - | (46,471) | |
| Net cash provided (used) by non-capital financing activities | (70,937) | (68,530) | (166,234) | - | (39,077) | 46,754 | 398,582 | 108,534 | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | | |
| Acquisitions and construction of capital assets | - | (26,702) | (208,695) | - | (397,748) | (125,182) | (14,859) | (773,186) | |
| Cash received from interfund borrowings | - | - | 8,643 | - | - | - | - | 8,643 | |
| Proceeds from bond issuance | - | 515,226 | - | - | 2,600,375 | - | - | 3,115,601 | |
| Principal payments on long-term debt | - | (292,100) | - | - | (259,849) | (140,000) | (30,560) | (730,509) | |
| Increase in restricted cash | - | (515,227) | - | - | (2,600,380) | (5,161) | - | (3,130,768) | |
| Interest paid | - | (80,430) | - | - | (46,161) | (613,846) | (16,032) | (754,439) | |
| Other revenue | - | - | - | - | - | - | 5,900 | 5,900 | |
| Net cash (used) by capital and financing activities | - | (379,231) | (200,052) | - | (703,463) | (885,189) | (63,948) | (2,228,884) | |
| Net increase (decrease) in cash and cash equivalents | 63,880 | 187,737 | 587,293 | 166,416 | (22,343) | (235,740) | 70,517 | 651,136 | |
| Cash and interest bearing deposits, January 1, 2011 | 395,060 | 475,409 | 4,153,458 | (40,248) | 743,359 | (1,739,566) | (40,248) | 3,967,492 | |
| Cash and interest bearing deposits, December 31, 2011 | 458,940 | 663,146 | 4,740,751 | - | 720,996 | (1,975,306) | 30,269 | 4,658,620 | |

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

STATEMENT OF CASH FLOWS
OPERATING FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Business-type | | |
|---|-----------------------|------------|---------------|
| | Municipal Liquor Fund | Water Fund | Electric Fund |
| Net income (loss) from operations | \$ 133,428 | \$ 358,800 | \$ 507,360 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Changes in assets and liabilities: | | | |
| Depreciation and amortization | 14,403 | 268,073 | 398,223 |
| (Increase) decrease in receivables | (3,036) | 1,099 | 81,927 |
| Increase (decrease) in inventory | (16,097) | 514 | (7,302) |
| Increase (decrease) in accounts payable | 7,564 | 6,155 | (28,556) |
| Increase (decrease) in deferred revenue | - | - | - |
| Increase (decrease) in customer deposits | - | - | 11,666 |
| Increase (decrease) in accrued vacation and sick | (1,383) | 786 | (729) |
| Net cash provided (used) by operating activities | \$ 134,817 | \$ 635,507 | \$ 953,579 |

| | Activities - Enterprise Funds | | | |
|--|-------------------------------|----------------|----------------------------------|------------|
| | Sewer Fund | Telephone Fund | Enterprise Funds (Subordinate 5) | Total |
| Net cash provided (used) by operating activities | \$ 367,554 | \$ (186,411) | \$ (403,290) | \$ 797,533 |
| Net cash provided (used) by investing activities | 205,124 | 739,480 | 126,855 | 1,739,139 |
| Net cash provided (used) by financing activities | 1,703 | (7,028) | - | 74,667 |
| Increase (decrease) in accounts payable | - | 2,520 | (7) | (30,372) |
| Increase (decrease) in deferred revenue | 149,060 | 15,832 | 12,567 | 163,842 |
| Increase (decrease) in customer deposits | - | 2,760 | - | 2,760 |
| Increase (decrease) in accrued vacation and sick | - | - | (300) | 13,366 |
| Net cash provided (used) by operating activities | (249) | 13,332 | 79 | 10,822 |
| Net cash provided (used) by investing activities | 720,192 | 509,487 | (264,116) | 2,775,466 |

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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 is assumed 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 Winona Area Hospital Fund which is separately audited and reported on. A copy of the Winona Area Hospital Fund Audit Report may be obtained by contacting the City Administrator, City of Winona, 444 2nd Street, P.O. Box 30, Winona, MN 55103 or call (507) 611-6129.

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-fund activity 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, services 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. Expenses 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 other and judgments, are recorded only when payment is due.

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 measurable 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 revenues 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 revenue and expense 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.

Economic Development Fund: The Economic Development Fund is used to account for financial resources to be used for the growth and development of commercial, residential and industrial concerns in the City.

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 Projects Fund: Capital projects funds are 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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- a. 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 sewerage 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:

- The City Administrator 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 principles as are used to account and prepare financial reports for the funds. Budgets are adopted on a basis consistent with generally accepted accounting principles.
- The budget is enacted through passage of a resolution by the Council and the tax levy is certified the county auditor annually in December.
- 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.
- 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 reported to the extent available in demand deposit accounts, money market accounts, short term certificates of deposit and interest-bearing savings accounts; those deposits are carried at cost, which at December 31, 2011, is the same as market value.

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 biennially 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- a. Assets, Liabilities, and Net Assets or Equity (continued)
 - 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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or adjusted 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 asset 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 structure | 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 statements 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.

g. Fund Balance Classifications

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

- Nonspendable - consists of amounts that are not in spendable form, such as inventory.
- Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

9. Fund Balance Classifications (continued)
 Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City's Administrator and/or Mayor is authorized to establish assignments of fund balance.
 Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.
 When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as needed.
 When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

Minimum Unrestricted Fund Balance Policy
 The City Council has formally adopted a policy regarding the minimum unrestricted (committed, assigned, or unassigned) fund balance for the General Fund. The policy established a year-end targeted unrestricted fund balance amount for cash flow requirements and contingency needs in the range of 75-100% of the current year's General Fund expenditures. At December 31, 2011, the assigned fund balance of the General Fund included 95% of the current year's expenditures.

10. 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.

11. 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 account on one thousand hours at a 50% reduction. Vacation and sick time is accrued and credited to employee's accounts on January 1 each year.

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

13. Basis of Presentation
 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 balances to be restated in terms of "net assets".

2. GASB AND IFRS/ISSUE RELATED DEBITORS

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 \$14,130,769 and the bank balance was \$14,345,675. The City's deposits are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2011. 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 | Category | Category | Bank Balance |
|----------|--------------|----------|--------------|
| 1 | 2 | 3 | |
| Deposits | \$14,130,769 | \$ | \$14,345,675 |

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 balances is categorized as follows:

| | | |
|---------------------------|----|---------------|
| Insured by FDIC Insurance | \$ | 2,819,385 |
| Covered by collateral | | 11,526,290 |
| Not covered by collateral | | \$ 14,345,675 |

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 reserves net of uncollectibles. An allowance for uncollectibles in the amount of \$9,750 has been estimated in relation to fire call receivables in the General Fund.

City of Winona, Minnesota

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

| | Beginning Balance | Primary Increases | Ending Balance |
|---|-------------------|-------------------|----------------|
| Governmental activities: | | | |
| Capital assets not being depreciated: | | | |
| Land | \$ 227,061 | \$ - | \$ 227,061 |
| Construction in progress | 227,061 | - | 227,061 |
| Total capital assets not being depreciated | | | |
| Other capital assets: | | | |
| Buildings and improvements | 4,306,671 | 324,025 | 4,630,696 |
| Machinery and equipment | 5,793,707 | 119,251 | 5,912,958 |
| Furniture and fixtures | 40,152 | - | 40,152 |
| Other fixed assets | 2,945,144 | 410,187 | 3,355,331 |
| Infrastructure | 3,074,006 | - | 3,074,006 |
| Total other capital assets at historical cost | 16,159,680 | 853,463 | 17,013,143 |
| Less accumulated depreciation for: | | | |
| Buildings and improvements | (691,196) | (111,728) | (802,924) |
| Machinery and equipment | (4,630,220) | (566,037) | (5,196,257) |
| Furniture and fixtures | (31,117) | (8,031) | (39,148) |
| Other fixed assets | (276,118) | (75,482) | (351,600) |
| Infrastructure | (648,982) | (122,960) | (771,942) |
| Total accumulated depreciation | (6,277,233) | (903,238) | (7,180,471) |
| Total other capital assets, net | 9,882,447 | (52,775) | 9,829,672 |
| Governmental activities capital assets, net | \$ 10,102,508 | \$ (52,775) | \$ 10,049,733 |

| | Beginning Balance | Primary Increases | Ending Balance |
|---|-------------------|-------------------|----------------|
| Business-type activities: | | | |
| Capital assets not being depreciated: | | | |
| Land | \$ 154,922 | \$ 14,999 | \$ 169,921 |
| Construction in progress | 154,922 | 14,999 | 169,921 |
| Total capital assets not being depreciated | | | |
| Other capital assets: | | | |
| Buildings and improvements | 16,592,880 | 372,066 | 16,964,946 |
| Machinery and equipment | 4,168,363 | 179,953 | 4,348,316 |
| Furniture and fixtures | 80,379 | - | 80,379 |
| Other fixed assets | 21,455,478 | 206,166 | 21,661,644 |
| Infrastructure | 156,057 | - | 156,057 |
| Total other capital assets at historical cost | 42,453,157 | 758,187 | 43,211,344 |
| Less accumulated depreciation for: | | | |
| Buildings and improvements | (80,942) | (180,942) | (161,884) |
| Machinery and equipment | (5,564) | (5,564) | (11,128) |
| Furniture and fixtures | (102,992) | (102,992) | (205,984) |
| Infrastructure | (189,498) | (189,498) | (378,996) |
| Total accumulated depreciation | (299,996) | (579,996) | (879,992) |
| Total other capital assets, net | 42,153,161 | 178,191 | 42,331,352 |
| Business-type activities capital assets, net | \$ 42,153,161 | \$ 178,191 | \$ 42,331,352 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

4. CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Primary Increases | Ending Balance |
|--|----------------------|---------------------|----------------------|
| Business-type activities: | | | |
| Less accumulated depreciation for: | | | |
| Buildings and improvements | (7,520,517) | (905,466) | (8,433,983) |
| Machinery and equipment | (3,650,287) | (355,777) | (3,956,042) |
| Furniture and fixtures | (80,378) | - | (74,815) |
| Other fixed assets | (9,500,473) | (450,466) | (9,987,940) |
| Infrastructure | (84,706) | (506) | (85,212) |
| Total accumulated depreciation | (20,844,281) | (11,212,211) | (22,387,000) |
| Total other capital assets, net | 21,608,876 | (954,030) | 20,654,846 |
| Business-type activities capital assets, net | \$ 21,763,790 | \$ (959,031) | \$ 20,834,767 |
| Depreciation expense was charged to functions/programs of the city as follows: | | | |
| Governmental activities: | | | |
| General government | | | \$ 61,415 |
| Public safety | | | 231,973 |
| Public works | | | 387,334 |
| Health and welfare | | | 10,561 |
| Culture and recreation | | | 110,809 |
| Conservation and economic development | | | 5,121 |
| Airport | | | 138,995 |
| Total governmental activities depreciation expense | | | <u>906,228</u> |
| Business-type activities: | | | |
| Municipal liquor | | | \$ 14,403 |
| Water | | | 266,134 |
| Electric | | | 380,223 |
| Sewer | | | 201,327 |
| Telecom | | | 715,375 |
| Arena | | | 34,401 |
| Multi-Purpose Center | | | 62,616 |
| River Bluff Townhomes | | | 29,038 |
| Total business-type activities depreciation expense | | | <u>1,712,217</u> |

* The capitalized cost of the telecommunications plant includes capitalized interest of \$261,833. Capitalized cost in the Water fund includes capitalized interest of \$15,307. Capitalized cost 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. Capitalized cost in the 2009 Street Improvement fund includes capitalized interest of \$35,147.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

5. LONG-TERM DEBT:

a. General Obligation Bonds

The City issues 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 retiring 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 the 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, 2011:

| | Interest Rates | Maturity | Outstanding Principal |
|---|----------------|----------|-----------------------|
| G O Improvement Bonds of 1994 | 2.44 | 2014 | \$ 51,300 |
| G O Improvements Bonds, Series 2003 | 3.77 | 2019 | 685,000 |
| G O Improvement Bonds, Series 2005 A | 3.0-4.4 | 2021 | 920,800 |
| G O Improvement & Refunding Bonds, Series 2006a | 3.7-4.15 | 2020 | 840,000 |
| G O Temporary Equipment Certificates Series 2007B | 3.75-4.3 | 2023 | 1,165,800 |
| G O Improvement Bonds Series 2011a | 2.0-4.25 | 2029 | 1,439,400 |
| G O Temporary Equipment Certificates Series 2011b | 1.65 | 2012 | 2,400,800 |
| G O Improvement Refunding Bonds Series 2011c | .5-1.85 | 2019 | 795,000 |
| Total G O Special Assessment | | | 9,206,300 |
| G O Sewer Bonds Series 1994 | 2.71 | 2015 | 953,021 |
| G O Revenue Series 1999 | 2.57 | 2018 | 863,440 |
| G O Revenue MOPB Series 1999A | 2.29 | 2019 | 622,000 |
| G O Water and Sewer Revenue Bonds Series 2011a | 1.0-4.0 | 2029 | 3,090,000 |
| Total G O Revenue | | | 5,528,461 |
| Competition System Revenue Bonds 2004 | 4.5-6.25 | 2024 | 9,100,000 |
| Total Revenue | | | 9,100,000 |
| Total | | | \$23,024,789 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

5. LONG-TERM DEBT (CONTINUED):

Other Notes Payable-

The River Bluff Townhome (Enterprise Fund) notes payable has various terms on the notes. In 2011, payments were made to Bank of the West in the amount of \$12,569 and Cottonwood County in the amount of \$25,000. No payments were made on the remaining notes payable. The current portion of the Bank of the West note is \$15,604. The list of the notes is as follows:

| | |
|------------------|------------|
| Bank of the West | \$ 412,515 |
| CBFF | 100,000 |
| MBFA | 353,705 |
| PE Winona | 15,600 |
| Total | \$ 921,820 |

In the SPA Fund there is one note payable. The note was obtained to pay off a note with Bank Midwest. The current terms and maturities of the note are as follows:

| | |
|--|-----------|
| Public Note Credit Union - monthly payments of \$1,360, interest at 4.4% | \$ 21,834 |
|--|-----------|

Scheduled principal and interest payments to maturity are as follows:

| | Principal | Interest | Total |
|-------|------------|-----------|------------|
| 2012 | \$ 21,834 | \$ 18,506 | \$ 40,340 |
| 2013 | 22,846 | 17,474 | 40,320 |
| 2014 | 23,072 | 16,448 | 40,320 |
| 2015 | 34,944 | 15,376 | 40,320 |
| 2016 | 333,247 | 6,077 | 339,324 |
| Total | \$ 435,943 | \$ 73,881 | \$ 509,824 |

In the equipment Capital Project Fund there are two notes payable. The current terms and maturities of the notes are as follows:

| | Principal | Interest | Total |
|--|-----------|----------|------------|
| John Bear Credit - annual payments of \$22,407, interest at 8.5% | \$ 20,874 | \$ 1,533 | \$ 22,407 |
| 2012 | 22,463 | 4 | 22,467 |
| 2013 | 433,387 | 1,527 | \$ 434,914 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

5. LONG-TERM DEBT (CONTINUED):

League of Minnesota Cities - first payment of \$32,452, annual payments of \$54,569 thereafter, interest at 3.0%

| | Principal | Interest | TOTAL |
|------|------------|-----------|------------|
| 2012 | \$ 47,089 | \$ 5,363 | \$ 52,452 |
| 2013 | 48,501 | 6,080 | 54,589 |
| 2014 | 49,956 | 6,632 | 56,588 |
| 2015 | 51,455 | 7,134 | 58,589 |
| 2016 | 52,999 | 7,590 | 60,589 |
| | \$ 250,000 | \$ 30,800 | \$ 280,800 |

The following funds report accrued vacation and sick time:

| | Vacation | Sick | TOTAL |
|----------------------|------------|------------|------------|
| General | \$ 65,081 | \$ 239,249 | \$ 304,330 |
| Amulance | 791 | 1,657 | 2,448 |
| EDA | 761 | 8,088 | 8,849 |
| Lanane | 71,224 | 57,533 | 128,757 |
| Mason | 9,660 | 54,734 | 64,394 |
| Electric | 67,609 | 134,628 | 202,237 |
| Sewer | 13,946 | 77,124 | 91,070 |
| Telecom | 17,210 | 90,645 | 107,855 |
| Arcata | 15,667 | 36,726 | 52,393 |
| MULTI-PURPOSE Center | 8,610 | 28,475 | 37,085 |
| | \$ 270,950 | \$ 729,851 | \$ 999,801 |

City of Winnow, Minnesota

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

5. LONG-TERM DEBT OBLIGATIONS:

b. Changes in long-term liabilities:

Governmental activities long-term liability balances and activity for the year ended December 31, 2011, were as follows:

| Governmental Activities: | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|--|-------------------|--------------|------------|----------------|-----------------------------|
| General Obligation Bonds: | | | | | |
| GO Refunding Bonds of 1994 | \$ 73,085 | \$ - | \$ 20,737 | \$ 51,308 | \$ 31,247 |
| GO Waterwast Treatment Bond of 1995 | 11,820 | - | 11,820 | - | - |
| GO Employment Bonds Series 2005 | 573,000 | - | 54,000 | 519,000 | 519,000 |
| GO Improvement Bonds Series 2005 A | 495,000 | - | 50,000 | 445,000 | 50,000 |
| GO Improvement and Refunding Bonds Series 2005 B | 785,000 | - | 108,800 | 680,000 | 310,000 |
| GO Improvement Bonds Series 2007 D | 1,240,000 | - | 75,000 | 1,165,000 | 80,000 |
| GO Improvement Bonds Series 2009 A | 1,510,000 | - | 80,000 | 1,430,000 | 80,000 |
| GO Improvement Refunding Bonds Series 2011B | - | 795,000 | - | 795,000 | - |
| Other Loans and Obligations: | | | | | |
| Economic Development - Bank Midwest | 440,756 | - | 440,756 | - | - |
| Capital Projects Equipment - John Deere Credit | 63,206 | 442,098 | 15,375 | 426,723 | 21,814 |
| Street Shop - League of Minnesota Cities | - | 250,000 | 19,849 | 43,337 | 20,874 |
| Worked Vacation and Sick Pay | 378,818 | - | 63,199 | 250,000 | 47,089 |
| Total Governmental Activities Long-Term Debt | \$ 5,569,725 | \$ 1,487,098 | \$ 935,836 | \$ 6,120,987 | \$ 950,034 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

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, 2011 were as follows:

| Business-Type Activities: | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|-------------------|--------------|--------------|----------------|-----------------------------|
| General Obligation Bonds: | | | | | |
| GO Improvement Bonds Series 2003 | \$ 307,000 | \$ - | \$ 36,000 | \$ 346,000 | \$ 346,000 |
| GO Improvement Bonds Series 2005 A | 525,000 | - | 50,000 | 475,000 | 50,000 |
| GO Temporary Equipment Certification Series 2009 B | 2,400,000 | - | - | 2,400,000 | 2,400,000 |
| General Obligation Revenue Bonds: | | | | | |
| GO Sewer Bonds Series 1994 | 1,175,670 | - | 222,649 | 953,021 | 228,723 |
| GO Revenue Series 1999 | 1,036,840 | - | 173,000 | 863,840 | 177,000 |
| GO Water Note Series 1999A | 682,000 | - | 70,000 | 622,000 | 72,000 |
| GO Water and Sewer Revenue Bonds Series 2011A | - | 3,000,000 | - | 3,000,000 | - |
| Revenue Bonds: | | | | | |
| Communications System Revenue Bonds 2004 | 9,320,000 | - | 140,000 | 9,180,000 | 240,000 |
| Other Loans and Obligations: | | | | | |
| River Bluff Townhomes - Bank of the West | 426,083 | - | 13,568 | 412,515 | 16,861 |
| River Bluff Townhomes - GHF | 180,000 | - | - | 180,000 | - |
| River Bluff Townhomes - MRA | 351,305 | - | - | 351,305 | - |
| River Bluff Townhomes - Cortwood County | 25,000 | - | 25,000 | - | - |
| River Bluff Townhomes - RM Window | 15,000 | - | - | 15,000 | - |
| River Bluff Townhomes - Toro Foundation | 15,000 | - | - | 15,000 | - |
| Accrued Vacation and Sick Pay | 673,358 | 10,834 | - | 684,192 | - |
| Total Business-Type Activities Long-Term Debt | \$ 17,210,956 | \$ 3,100,024 | \$ 730,217 | \$ 19,580,763 | \$ 3,330,584 |
| Total Long-Term Debt | \$ 22,739,531 | \$ 4,597,822 | \$ 1,666,043 | \$ 25,710,450 | \$ 4,480,809 |

c. MINIMUM DEBT COVENANTS:

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

| Year Ending December 31 | General Obligation Bonds Payable | | Revenue Bonds Payable | |
|-------------------------|----------------------------------|--------------|-----------------------|--------------|
| | Principal | Interest | Principal | Interest |
| 2012 | 3,656,247 | 218,924 | 112,013 | 565,746 |
| 2013 | 564,760 | 151,812 | 127,532 | 260,000 |
| 2014 | 506,293 | 137,041 | 118,597 | 553,066 |
| 2015 | 505,000 | 131,760 | 101,138 | 337,780 |
| 2016 | 525,000 | 105,546 | 376,068 | 520,312 |
| 2017-2021 | 1,885,000 | 312,215 | 420,000 | 497,188 |
| 2022-2026 | 729,000 | 58,226 | 2,030,000 | 2,824,688 |
| 2027-2029 | - | - | 4,645,000 | 734,509 |
| Total | \$ 6,306,108 | \$ 1,099,624 | \$ 1,167,142 | \$ 5,432,909 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

6. INVESTMENT RECEIVABLES AND PAYABLES:

| | |
|------------------------------------|------------------|
| Electric Fund, | |
| Due from Economic Development Fund | \$ 50,314 |
| Economic Development Fund: | |
| Due to Electric Fund | \$ 50,314 |
| | <u>\$ 50,314</u> |

7. FUND BALANCE CLASSIFICATIONS AND RESTRICTED NET ASSETS:

At December 31, 2011, a summary of the governmental fund balance classifications are as follows:

| | General Fund | Economic Development Fund | Other Governmental Funds | Total |
|----------------------|---------------------|---------------------------|--------------------------|---------------------|
| Nonspendable: | | | | |
| Inventory | \$ 20,592 | \$ 1,151,494 | \$ - | \$ 1,172,086 |
| Total nonspendable | <u>20,592</u> | <u>1,151,494</u> | <u>-</u> | <u>1,172,086</u> |
| Restricted for: | | | | |
| Debt Service | - | - | 174,506 | 174,506 |
| Total Restricted | <u>-</u> | <u>-</u> | <u>174,506</u> | <u>174,506</u> |
| Assigned to: | | | | |
| General Operations | 2,140,444 | - | 1,157,291 | 3,297,735 |
| Economic Development | - | 587,301 | - | 587,301 |
| Other business | 2,140,444 | - | 653,629 | 2,794,073 |
| Total Assigned | <u>4,280,888</u> | <u>587,301</u> | <u>1,810,920</u> | <u>6,679,109</u> |
| Unassigned | - | - | 11,319,883 | 11,319,883 |
| Total | <u>\$ 2,151,137</u> | <u>\$ 1,740,795</u> | <u>\$ 1,241,663</u> | <u>\$ 5,133,595</u> |

At December 31, 2011, the proprietary funds report the following restricted net assets:

| | |
|---------------------------------------|---------------------|
| Water Fund | |
| - Restricted for Capital Improvements | \$ 515,227 |
| Street Fund | |
| - Restricted for Capital Improvements | 2,000,180 |
| Telephone Fund | |
| - Restricted for Debt Repayment | 1,490,947 |
| Total Proprietary Fund | <u>\$ 3,006,354</u> |
| Restricted Net Assets | <u>\$ 3,006,354</u> |

8. OFFICE FUND EQUITY:

- The Equipment Capital Projects Fund has a deficit fund balance of \$425,529 at December 31, 2011. Management plans to eliminate this deficit by controlling expenses.
- The Dan Capital Projects Fund has a deficit fund balance of \$216,920 at December 31, 2011. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The 4th Avenue Improvement Bond Fund has a deficit fund balance of \$130,315 at December 31, 2011. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The 200A Retaining Bond Fund has a deficit fund balance of \$221,487 at December 31, 2011. Management plans to eliminate this deficit by transferring cash and controlling expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

9. OFFICE FUND EQUITY (CONTINUED):

- The Telecommunications Fund has deficit net assets of \$5,076,727 at December 31, 2011. Management plans to eliminate this deficit by increasing sales and controlling expenses.
- The River Blue Bombones Fund has deficit net assets of \$199,302 at December 31, 2011. Management plans to eliminate this deficit by increasing occupancy and controlling expenses.
- The 2007 Street Improvement Fund has a deficit balance of \$57,310 at December 31, 2011. Management plans to eliminate this deficit by transferring cash and controlling expenses.

10. MEMBERSHIP, COMPLIANCE, AND ACCOUNTABILITY, GOVERNMENTAL FUNDS TYPES:

There were no special revenue funds reporting expenditures in excess of budget during the year ended December 31, 2011:

11. RETIREMENT BENEFIT, PENSION PLANS, STRATEGIES:

a. Plan Description:

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

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

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 consecutive 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 PEPF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unassigned Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

RISK MANAGEMENT:

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, 2011, 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, workers' compensation, employee liability and employee benefits and errors and omissions.

ACCOUNTING CHANGE AND RESTATEMENT OF PRIOR YEAR'S FUND BALANCE:

GASH STATEMENT 54 "Fund Balance Reporting and Governmental Fund Type Revisions" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for the year ended December 31, 2011. Changes to the government fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 19 and Note 7.

The implementation of GASH Statement 54 resulted in the reclassification of certain funds and restatement of the City's financial statements. This restatement had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

| | Fund balance at | | Reclassification | | Fund balance at |
|-----------------------------|-------------------|-------------------|------------------|---------|-----------------|
| | December 31, 2010 | December 31, 2010 | of Fund due to | GASH 54 | |
| | | | | | as Restated |
| General Fund | \$ 1,744,729 | \$ 55,445 | \$ | \$ | \$ 1,800,174 |
| Economic Development Fund | 475,798 | 1,192,171 | | | 1,667,979 |
| Nonmajor Governmental Funds | 2,389,432 | (1,247,628) | | | 1,141,876 |
| Total Governmental Funds | \$ 4,609,959 | \$ 999,994 | | | \$ 5,609,959 |

SUBSEQUENT EVENTS:

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 15, 2011, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

RETIREMENT FUNDING PLANS - STATEWIDE (CONTINUED):

The benefit provisions participated 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 PERA and PERFF. That report may be obtained on the Internet at www.pera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 298-7460 or 1-800-452-9026.

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. GERS Basic Plan members and Contributed Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2011. PERFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City of Mankato was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Contributed Plan members and 14.4% for PERFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$105,319, \$164,562, and \$152,446, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$64,285, \$87,022, and \$62,215, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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 | 175,000 |
| c. Capital transfer from Water Fund to 2006A Refunding Bond Fund | 7,297 |
| d. Capital transfer from Economic Development Fund to 2006A Refunding Bond Fund | 3,703 |
| e. Capital transfer from Equipment Capital Projects Fund to General Fund | 6,104 |
| f. Capital transfer from Water Fund to 2007 Street Improvement Bond Fund | 18,005 |
| g. Capital transfer from Water Fund to 2009 Street Improvement Bond Fund | 49,956 |
| h. Capital transfer from Sewer Fund to 2007 Street Improvement Bond Fund | 16,620 |
| i. Capital transfer from Sewer Fund to 2009 Street Improvement Bond Fund | 29,851 |
| j. Operating transfer from Municipal Liquor Fund to Multi-Purpose Center Fund | 937 |

RESOLUTION # 2013-

INTRODUCED:

SECONDED:

VOTED: Aye:

Nay:

Absent:

RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF \$4,510,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2013A, TO PAY A PORTION OF THE COSTS OF LOCAL PUBLIC IMPROVEMENTS; ESTABLISHING THE TERMS AND CONDITIONS THEREFOR; CREATING A CONSTRUCTION ACCOUNT AND A DEBT SERVICE ACCOUNT THEREFOR; AND AWARDING THE SALE THEREOF

BE IT RESOLVED, by the City Council of the City of Windom, Cottonwood County, Minnesota (the "Issuer"), as follows:

Section 1. Bond Purpose, Authorization, and Award.

1.01 Authority and Purpose.

A. Pursuant to authority contained in Minnesota Statutes, Chapters 429 and 475 and the Issuer's Charter, the City Council directs the issuance and sale of \$4,510,000 General Obligation Improvement Bonds, Series 2013A of the Issuer (the "Bonds"), for the purpose of (i) financing a portion of the costs of local public improvements which are to be paid for in part by special assessments levied or to be levied upon benefited property (the "Project"), (ii) for payment of part of the interest cost of the Bonds and (iii) for payment of part of the issuance costs of the Bonds. The principal of and interest on the Bonds shall be paid primarily from special assessments levied upon benefited property (the "Special Assessments") and ad valorem taxes (the "Taxes" and together with the Special Assessments, the "Pledged Revenues"). The Project is ordered as required by Minnesota Statutes, Section 429.091, Subdivision 1.

B. The Bonds shall provide funds to finance the Project. The total cost of the Project, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Bonds. Work on the Project shall proceed with due diligence to completion. The Issuer covenants that it shall do all things and perform all acts required of it to assure that work on the Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

1.02 Independent Financial Advisor. The Issuer has retained the services of Ehlers & Associates, Inc. as its independent financial advisor.

1.03 Award of Sale. The Issuer has received an offer from _____ of _____, _____ (the "Purchaser"), to purchase the Bonds at a cash price of \$ _____, plus accrued interest on the total principal amount from June 4,

2013, to the date of delivery upon the terms and conditions hereafter specified in this Resolution. The City Council, after due consideration, finds such offer reasonable and proper and the offer of the Purchaser is accepted. The Mayor and the Administrator are authorized and directed to execute on the part of the Issuer a contract for the sale of the Bonds in accordance with the Purchaser's proposal, and to acknowledge receipt of the security for the proposal, if any.

Section 2. Terms of the Bonds.

2.01 Date and Maturities. A. The Bonds shall be (i) issued as fully-registered bonds, (ii) designated "\$4,510,000 General Obligation Improvement Bonds, Series 2013A," (iii) dated the date of closing and delivery to the Purchaser as of the date of original issue, (iv) issued in the denomination of \$5,000, or any integral multiple thereof, (v) issued in fully registered form, and (vi) lettered and numbered R-1 and upward.

B. The Bonds shall mature on February 1 in the years and amounts stated below and shall bear interest from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue until paid at the rates per annum set forth below opposite such years and amounts:

| Year (February 1) | Amount | Interest Rate |
|----------------------|--------|---------------|
| | | |
| | | |
| | | |
| | | |
| | | |

C. The maturities of the Bonds, together with the maturities of all other outstanding general obligation bonds of the Issuer, meet the requirements of Section 475.54 of the Act.

2.02 Interest Payment Dates; Record Date.

A. The Bonds shall bear interest at the annual rates stated therefor in Section 2.01. The interest shall be payable semiannually on February 1 and August 1 in each year (each referred to herein as an "Interest Payment Date") commencing on February 1, 2014. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to the rules of the Municipal Securities Rulemaking Board.

B. The Bond Registrar designated below shall make all interest payments with respect to the Bonds by check or draft mailed to the person in whose name each Bond is registered (the "Holder") and in each case at the address shown on the bond registration records maintained by the Bond Registrar at the close of business on the 15th day (whether or not on a business day) of the calendar month next preceding the Interest Payment Date (the "Regular Record Date"). Any such interest not so timely paid or duly provided for shall cease to be

payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date fixed for the payment of such defaulted interest (the "Special Record Date"). The Special Record Date shall be fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest and notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The term "Holder" shall also include those lawfully entitled to take actions on behalf of the beneficial owners of the Bonds for purposes of any consent or approvals given by Holders.

C. If the date for payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

2.03 Redemption. A. The Bonds maturing in the years 2015 through 2021 shall not be subject to redemption and prepayment before maturity, but those maturing, or subject to mandatory redemption, in the year 2022 and in subsequent years shall each be subject to redemption and prepayment at the option of the Issuer on February 1, 2021, and on any business day thereafter, in whole or in part, and if in part, at the option of the Issuer and in such manner as the Issuer shall determine at a price of par plus accrued interest to the date of redemption.

B. In the event any of the Bonds are called for redemption, notice thereof identifying the Bonds to be redeemed will be given by the Bond Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) at least 30 days but not more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books kept by the Bond Registrar; provided however, that so long as the Bonds are registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), notice of redemption shall be given in accordance with the terms of the Representation Letter hereinafter described. Failure to give notice by mail to any registered owner, or any defect therein, will not affect the validity of any proceeding for the redemption of Bonds not affected by such defect or failure. Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

C. If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the Issuer or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest.

D. The Bonds maturing on February 1 in the years ____, ____ and ____ shall be subject to mandatory redemption prior to maturity pursuant to the requirements of this Section 2.03B at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Bond Registrar, as designated below, shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts:

For Bonds maturing on February 1, 20__:

| Year | Amount |
|------|--------|
| | |
| | |
| | |
| | |

For Bonds maturing on February 1, 20__:

| Year | Amount |
|------|--------|
| | |
| | |
| | |
| | |

For Bonds maturing on February 1, 20__:

| Year | Amount |
|------|--------|
| | |
| | |
| | |
| | |

Section 3. Registration; Global Book Entry System.

3.01 Designation of Bond Registrar. The City Council appoints Bond Trust Services, Corporation, Roseville, Minnesota, as registrar, authenticating agent and transfer agent for the Bonds (such bank or its successors is herein referred to as the "Bond Registrar"), and shall do so until a successor Bond Registrar is duly appointed, all pursuant to a contract which the Issuer and the Bond Registrar shall execute which is consistent herewith and which the Mayor and Administrator are authorized to execute and deliver. A successor Bond Registrar shall be a bank or trust company eligible for designation as bond registrar pursuant to the Act. The terms of the appointment of the successor Bond Registrar and its duties shall be specified in a contract between the Issuer and such successor Bond Registrar that is consistent herewith and that the Mayor and Administrator are authorized to execute and deliver. The Bond Registrar, which may

act through an agent, shall also serve as paying agent until and unless a successor paying agent is duly appointed. The Bond Registrar shall pay principal and interest on the Bonds to the registered Holders (or record Holders) of the Bonds in the manner set forth herein. The Issuer agrees to pay the reasonable and customary charges for the services of such Bond Registrar.

3.02 Designation of Depository. DTC, a Securities and Exchange Commission designated depository, a limited purpose New York trust company, a member of the Federal Reserve System, and a "clearing corporation" within the meaning of the New York Uniform Commercial Code, is designated as the depository (the "Depository") with respect to the Bonds.

3.03 Authentication of Bonds. No Bond shall be valid or obligatory for any purpose unless or until either (i) the Bond Registrar's authentication certificate on such Bond, substantially set forth in Section 4.01 hereof, shall have been duly executed by an authorized representative of the Bond Registrar or (ii) the Bonds have been manually executed by at least one officer of the City Council. Authentication certificates on different Bonds need not be signed by the same representative. The Bond Registrar shall authenticate each Bond by execution of the Certificate of Authentication on the Bond and shall date each Bond in the space provided as of the date on which the Bond is registered. For purposes of delivering the original Bonds, the Bond Registrar shall insert as the date of registration the date of original issue. The executed Authentication Certificate or the manual signature of at least one officer of the City Council on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

3.04 Bond Register; Transfer; Exchange.

A. The Issuer shall cause to be kept by the Bond Registrar at its principal office, a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and the registration of transfers of the Bonds entitled to be registered or transferred as herein provided. In the event of the resignation or removal of the Bond Registrar or its incapability of acting as such, the bond registration records shall be maintained at the office of the successor Bond Registrar as may be appointed by the City Council.

B. Upon surrender for transfer of any Bond at the principal corporate office of the Bond Registrar, the Issuer shall execute, if required by law or this Resolution, and the Bond Registrar shall authenticate, if required by law or this Resolution, date (in the space designated Date of Registration) and deliver, in the name(s) of the designated transferee or transferees, one or more new Bonds of the like aggregate principal amount having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation. Transfer of a Bond may be made on the Issuer's books by the registered owner in person or by the registered owner's attorney duly authorized in writing. Transfers shall be subject to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates. The Issuer and the Bond Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption or to make any such exchange or transfer of the Bonds during the 15 days

next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of the Bonds.

C. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the registered owner thereof, with signature guaranteed, or by the registered Holder's attorney duly authorized in writing, and shall include written instructions as to the details of the transfer of the Bond. When any Bond is presented to the Bond Registrar for transfer, the Bond Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Bond Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

D. At the option of the Holder, replacement Bonds may be exchanged for Bonds of any authorized denomination or denominations of a like aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute (if required by law or this Resolution), and the Bond Registrar shall authenticate (if required by law or this Resolution), date (in the space designated Date of Registration) and deliver the replacement Bonds which the Holder making the exchange is entitled to receive. Bonds registered in the name of Cede & Co. may not be exchanged for Bonds of smaller denominations.

E. All Bonds surrendered upon any exchange or transfer provided for in this Resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the Issuer.

F. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all of the rights to interest, accrued and unpaid and to accrue, which are carried by such other Bond. All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the Issuer evidencing the same debt, shall be entitled to the same benefits under this Resolution as the Bonds surrendered for such exchange or transfer, and shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bonds.

G. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of any Bond and any legal or unusual costs regarding transfers and lost bonds.

H. Bonds registered in the name of Cede & Co. may not after their original delivery, be transferred or exchanged except in accordance with the terms and conditions of the Representation Letter and:

(i) upon exchange of a Bond after a partial redemption, if provided in Section 2.03 of this Resolution;

(ii) to any successor of the Depository (or its nominee) or any substitute depository (a "Substitute Depository") designated pursuant to clause (iii) below; provided that any successor of the Depository or any Substitute Depository must be both a "clearing corporation" as defined in the Minnesota Uniform Commercial Code, Minnesota Statutes, Section 336.8-102, and a qualified and registered "clearing agency" as provided in Section 17A of the Securities Exchange Act of 1934, as amended;

(iii) to a Substitute Depository designated by and acceptable to the Issuer upon (a) the determination by the Depository that the Bonds shall no longer be eligible for its depository services or (b) a determination by the Issuer that the Depository is no longer able to carry out its functions; provided that any Substitute Depository must be qualified to act as such, as provided in subclause (ii) above; or

(iv) in the event that (a) the Depository shall resign or discontinue its services for the Bonds or be declared no longer able to carry out its functions and the Issuer is unable to locate a Substitute Depository within two months following the resignation or discontinuance or determination of noneligibility, or (b) the Issuer determines in its sole discretion that (1) the continuation of the book-entry system described herein might adversely affect the interests of the beneficial owners of the Bonds, or (2) it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, then the Issuer shall notify the Holders of its determination and of the availability of replacement Bonds to Holders. The Issuer, the Bond Registrar and the Depository shall cooperate in providing Replacement Bonds to Holders requesting the same and the registration, transfer and exchange of such Bonds shall thereafter be conducted as provided in Section 3 of this Resolution.

I. In the event of the designation of a Substitute Depository as authorized by clause H., the Bond Registrar, upon presentation of a Bond, shall register their transfer to the Substitute Depository, and the Substitute Depository shall be treated as the Depository for all purposes and functions under this Resolution. The Representation Letter shall not apply to the Substitute Depository unless the Issuer and the Substitute Depository so agree, and the execution of a similar agreement is authorized.

3.05 Persons Deemed Owners; Payment.

A. The Issuer and the Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest (subject to the payment provisions in Section 2.02 above), on such Bond and for all other purposes whatsoever, whether or not such Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

B. For the purposes of all actions, consents and other matters affecting Holders of Bonds issued under this Resolution as from time to time supplemented, other than payments, redemptions, and purchases, the Issuer may (but shall not be obligated to) treat as the Holder of a Bond the beneficial owner of the Bond instead of the person in whose name the Bond is

registered. For that purpose, the Issuer may ascertain the identity of the beneficial owner of the Bond by such means as the Bond Registrar in its sole discretion deems appropriate, including but not limited to a certificate from the Depository or other person in whose name the Bond is registered identifying such beneficial owner.

C. The principal of and interest on the Bonds shall be payable by the Bond Registrar in such funds as are legal tender for the payment of debts due the United States of America. The Issuer shall pay the reasonable and customary charges of the Bond Registrar for the disbursement of principal and interest.

3.06 Use of Global Book-Entry System.

A. There has been previously submitted to this City Council a form of Blanket Issuer Letter of Representations (the "Letter of Representations") between the Issuer and the Depository setting forth various matters relating to the Depository and its role with respect to the Bonds. The terms and conditions of the Letter of Representations are ratified.

B. So long as DTC is the Depository or it or its nominee is the Holder of any Bonds, the Issuer shall comply with the provisions of the Letter of Representations, as it may be amended or supplemented from time to time.

C. Additional matters with respect to, among other things, notices, consents and approvals by Holders and payments on the Bonds are set forth in the Letter of Representations.

D. The provisions in the Letter of Representations are incorporated herein by reference and made a part of this Resolution, and if and to the extent any such provisions are inconsistent with the other provisions of this Resolution, the provisions in the Letter of Representations shall control.

3.07 Mutilated, Stolen or Destroyed Bonds. If a Bond becomes mutilated or is destroyed, stolen, or lost, the Bond Registrar will deliver a new Bond of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen, or lost, upon the payment of the reasonable expenses and charges of the Bond Registrar and the Issuer in connection therewith, including the cost of printing new Bonds; and, in the case of a Bond destroyed, stolen, or lost, upon filing with the Bond Registrar and the Issuer of evidence satisfactory to it and the Issuer that the Bond was destroyed, stolen, or lost, and of the ownership thereof, and upon furnishing to the Bond Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it and the Issuer and as provided by law, in which both the Issuer and the Bond Registrar must be named as obligees. Bonds so surrendered to the Bond Registrar will be canceled by the Bond Registrar and evidence of such cancellation must be given to the Issuer. If the mutilated, destroyed, stolen, or lost Bond has already matured or been called for redemption in accordance with its terms, it is not necessary to issue a new Bond prior to payment.

Section 4. Form of the Bonds.

4.01 The Bonds shall be printed or typewritten in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF COTTONWOOD

R-__

\$ _____

CITY OF WINDOM
GENERAL OBLIGATION IMPROVEMENT BOND, SERIES 2013A

| <u>Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> | <u>CUSIP</u> |
|-------------|----------------------|-------------------------------|--------------|
| _____% | February 1, 20__ | June __, 2013 | _____ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

The City of Windom, Cottonwood County, Minnesota (the "Issuer"), certifies that it is indebted and for value received, promises to pay to the registered owner specified above or on the Registration Certificate attached hereto, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, and to pay interest thereon from the date of original issue set forth above, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for, until the principal amount is paid, said interest being at the rate per annum specified above. Interest is payable semiannually on February 1 and August 1 of each year (each referred to herein as an "Interest Payment Date") commencing on February 1, 2015, at the rate per annum specified above, calculated on the basis of a 360-day year of twelve 30-day months, until the principal amount is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue hereof set forth above.

Payment. The principal of and premium, if any, on this Bond are payable by wire transfer (or other agreed means of payment) on each payment date no later than 12:00 noon (New York, New York time) upon presentation and surrender hereof at the office of Bond Trust Services Corporation, Roseville, Minnesota, as registrar, paying agent, authenticating agent and transfer agent (the "Bond Registrar"), or at the office of such successor bond registrar as may be designated by the Issuer. Interest on this Bond will be paid on each Interest Payment Date (by 12:00 noon, New York, New York time) by wire transfer (or other agreed means of payment) to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the 15th day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid or duly provided for shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date fixed for the payment of the defaulted interest, and notice of the special record date shall be given by the Bond Registrar to the Holders not less than (10) ten days prior thereto.

The Bond Registrar shall make all payments with respect to this Bond without, except for payment of principal on the Bond, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Issuer to the extent of the payments so made. The principal of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. For the prompt and full payment of such principal and interest as they become due, the full faith and credit of the Issuer are irrevocably pledged.

Date of Payment Not Business Day. If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Optional Redemption. The Bonds maturing in the years 2015 through 2021 shall not be subject to redemption before maturity, but those maturing in the year 2022 and subsequent years are each subject to redemption and prepayment at the option of the Issuer on February 1, 2021, and on any business day thereafter, in whole or in part, and if in part at the option of the Issuer and in such manner as the Issuer shall determine and by lot as to Bonds maturing in the same year, at a price of par plus accrued interest to the date of redemption.

Mandatory Redemption. The Bonds maturing in the years ___, ___ and ___ shall be subject to mandatory redemption prior to maturity pursuant to the requirements of the Resolution at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium.

Notice of and Selection of Bonds for Redemption. Not less than 30 nor more than 60 days prior to the date fixed for redemption and prepayment of any Bonds, notice of redemption shall be mailed to each registered owner of a Bond to be redeemed; provided, however, that so long as the Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), notice of redemption shall be given in accordance with the terms of the Blanket Issuer Letter of Representations which has been executed by the Issuer and DTC (the "Representation Letter").

If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the Issuer or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest. If any Bond is redeemed in part, upon surrender of the Bond being redeemed, the Issuer shall deliver or cause to be delivered to the registered

owner of such Bond, a Bond in like form in the principal amount equal to that portion of the Bond so surrendered not being redeemed.

Issuance; Purpose. This Bond is one of a series issued by the Issuer in the total aggregate amount of \$4,510,000 General Obligation Improvement Bonds, Series 2013A, all of like original issue date and tenor, except as to number, maturity date, redemption privilege, denomination and interest rate, pursuant to: (i) the authority contained in Minnesota Statutes, Chapters 429 and 475; (ii) the Constitution of the State of Minnesota and all other laws thereunto enabling; (iii) the Issuer's Home Rule Charter; and (iv) an authorizing resolution adopted by the governing body of the Issuer on May 7, 2013 (the "Resolution"), and is issued for the purpose of financing a portion of the costs of local public improvements. The principal of and interest on the Bonds are payable primarily from special assessments levied or to be levied against benefited property and ad valorem taxes pledged to the Debt Service Account in the special fund of the Issuer entitled "2013 Improvement Program Fund," as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

General Obligation. This Bond constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of the principal and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are irrevocably pledged.

Denominations; Exchange. The Bonds of this series are issued as fully registered bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof. The Issuer will, at the request of the registered owner, issue one or more new fully registered Bonds in the name of the registered owner in the aggregate principal amount equal to the unpaid principal balance of this Bond, and of like tenor except as to number and principal amount at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution and the Representation Letter. Reference is made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Registration; Transfer. This Bond shall be registered in the name of the payee on the books of the Issuer by presenting this Bond for registration to the Bond Registrar, whose representative will endorse his or her name and note the date of registration opposite the name of the payee in the Registration Certificate attached hereto. Thereafter this Bond may be transferred by delivery with an assignment duly executed by the Holder or the Holder's legal representative, and the Issuer and Bond Registrar may treat the Holder as the person exclusively entitled to exercise all the rights and powers of an owner until this Bond is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Bond Registrar, all subject to the terms and conditions provided in the Resolution and the Representation Letter and to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar. Thereupon the Issuer shall execute (if required by law or the Resolution) and the Bond Registrar shall authenticate (if required by law or the Resolution) and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee, of an authorized denomination, in an aggregate principal

amount equal to the principal amount of this Bond, of the same maturity, and bearing interest at the same rate.

Fees Upon Transfer or Loss. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds. No service charge shall be made by the Issuer for any transfer or exchange hereinbefore referred to but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Treatment of Registered Owner. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whatsoever, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

Authentication. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until either (i) the Bond Registrar's Authentication Certificate hereon shall have been executed by the Bond Registrar by one of its authorized representatives or (ii) the Bond has been manually executed by at least one officer of the governing body of the Issuer.

Qualified Tax-Exempt Obligations. The Bonds of this issue have been designated by the Issuer as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

Credit Enhancement Program. The Issuer has qualified the Bonds for participation in the State of Minnesota Public Facilities Credit Enhancement Program under which the State of Minnesota guaranties payment of city debt obligations pursuant to Minnesota Statutes, Section 446A.086. If the Issuer is unable to make any portion of the principal or interest payments on the Bonds as they become due, the State of Minnesota has agreed to make such payment in the Issuer's place.

IT IS CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding general obligation of the Issuer enforceable in accordance with its terms, have been done, have happened and have been performed in regular and due form, time and manner as so required; that, if necessary for payment of principal of and interest on the Bonds of this issue, ad valorem taxes may be levied upon all taxable property in the Issuer without limitation as to rate or amount; and that the issuance of this Bond on the date of original issue hereof and the date of its actual original issuance and delivery, does not exceed any constitutional, charter or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Windom, Cottonwood County, Minnesota, by its governing body, has caused this Bond to be executed in its name by the facsimile signature of the

Mayor and attested by the facsimile signature of the Administrator, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

ATTEST:

(Form- No signature required) _____ (Form-No signature required) _____
Administrator Mayor

Date of Authentication: _____

BOND REGISTRAR'S AUTHENTICATION CERTIFICATE

The Bond Registrar confirms that the books reflect the ownership of the Bond registered in the name of the owner named above in the principal amount and maturing on the date stated above and this Bond is one of the Bonds of the series issued pursuant to the Resolution hereinabove described.

BOND TRUST SERVICES CORPORATION
ROSEVILLE, MINNESOTA
Bond Registrar

By _____
Authorized Representative

REGISTRATION CERTIFICATE

This Bond must be registered as to both principal and interest in the name of the owner on the books to be kept by Bond Trust Services Corporation, Roseville, Minnesota, as Bond Registrar. No transfer of this Bond shall be valid unless made on said books by the registered owner or the owner's attorney thereunto duly authorized and similarly noted on the registration books. The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of Bond Trust Services Corporation in the name of the registered owner last noted below.

| | | |
|-----------|---|-----------------------------|
| Date | Registered Owner | Signature of Bond Registrar |
| 06/___/13 | Cede & Co. c/o The Depository Trust Company 55 Water Street New York, NY 10041 Federal Taxpayer I.D. No.: 13-2555119 | _____ |

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Name and Address of Assignee)

Social Security or Other
Identifying Number of Assignee

the within Bond and all rights thereunder and does irrevocably constitute and appoint _____

attorney to transfer the said
Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

(Bank, Trust Company, member of
National Securities Exchange)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange, or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

4.02 Preparation and Execution. The Bonds shall be prepared for execution in accordance with the approved form and shall be signed by the manual or facsimile signature of

the Mayor and attested by the manual or facsimile signature of the Administrator. The legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A. shall be appended to each Bond. The corporate seal of the Issuer may be omitted from the Bonds as permitted by law. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be an officer before delivery of the Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

4.03 Delivery of the Bonds. Delivery of the Bonds and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Purchaser. Printed or typewritten, and executed Bonds shall be furnished by the Issuer without cost to the Purchaser. The Bonds, when prepared in accordance with this Resolution and executed, shall be delivered by or under the direction of the Administrator to the Purchaser upon receipt of the purchase price plus accrued interest.

Section 5. Covenants, Accounts and Tax Levies.

5.01 Covenants. It is determined that the Project will directly and indirectly benefit abutting property, and the Issuer covenants with the holders from time to time of the Bonds as follows:

A. The Issuer has caused or will cause the Special Assessments to be promptly levied so that the first installment will be collectible not later than 2014 and will take all steps necessary to assure prompt collection, and the levy of the Special Assessments is authorized for purposes of Minnesota Statutes, Section 475.55, Subdivision 3. The City Council will cause all further actions and proceedings to be taken with due diligence that are required for the construction of each portion of the Project financed wholly or partly from the proceeds of the Bonds, and for the final and valid levy of the Special Assessments and the appropriation of any other funds needed to pay the Bonds and interest thereon when due.

B. It is recognized that the Issuer's liability on the Bonds is not limited to the Pledged Revenues, and the City Council covenants and agrees that in the event of any current or anticipated deficiency in Pledged Revenues, it will levy upon all taxable property within the Issuer and cause to be extended, assessed, and collected, any additional taxes found necessary for full payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

C. The Issuer will keep complete and accurate books and records showing: receipts and disbursements in connection with the improvements and Special Assessments levied therefor and other funds appropriated for their payment, collections and disbursements thereof, moneys on hand and the balance of unpaid Special Assessments.

D. The Issuer will cause its books and records to be audited and will furnish copies of such audit reports to any interested person upon request.

E. The City Council covenants and agrees with the holders of the Bonds and with its taxpayers that it will assess against benefited property not less than 20% of the cost of each Project financed hereunder within the meaning of Minnesota Statutes, Section 475.58, Subdivision 1(3).

F. The Issuer covenants and agrees that it will let all construction contracts not heretofore let within one year after ordering each Project financed hereunder unless the resolution ordering the Project specifies a different time limit for the letting of construction contracts.

G. The Issuer further covenants and agrees that it will do and perform as soon as they may be done all acts and things necessary for the final and valid levy of such Special Assessments, and in the event that any such assessment be at any time held invalid with respect to any lot, piece or parcel of land due to any error, defect, or irregularity in any action or proceedings taken or to be taken by the Issuer or the City Council, or any of the Issuer officers or employees, either in the making of the Special Assessments or in the performance of any condition precedent thereto, the Issuer and the City Council will forthwith do all further acts and take all further proceedings as may be required by law to make the assessments a valid and binding lien upon such property.

5.02 The Fund. There is created a special fund to be designated the "2013 Improvement Program Fund" (the "Fund") to be administered and maintained by the Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until all of the Bonds and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts, to be designated the "Construction Account" and "Debt Service Account," respectively:

A. Construction Account.

(1) On receipt of the purchase price of the Bonds, the Issuer shall credit (a) proceeds from the sale of the Bonds, less amounts allocated as capitalized interest funded from Bond proceeds (the "Capitalized Interest") and less amounts used to pay part of the interest cost of the issue as allowed by Minnesota Statutes, Section 475.56 (the "Additional Interest") and less amounts allocated to accrued interest paid by the Purchaser upon closing and delivery of the Bonds (the "Accrued Interest"); plus (b) any Special Assessments levied with respect to the Project and collected prior to completion of the Project and payment of the costs thereof, to the Construction Account.

(2) From the Construction Account there shall be paid all costs and expenses of making the Project, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65; and the moneys in said account shall be used for no other purpose except as otherwise provided by law; provided that the

proceeds of the Bonds may also be used to the extent necessary to pay interest on the Bonds due prior to the anticipated date of commencement of the collection of; and provided further that if upon completion of the Project there shall remain any unexpended balance in the Construction Account, the balance (other than any Special Assessments) may be transferred by the City Council to the fund of any other improvement instituted pursuant to Minnesota Statutes, Chapter 429, and provided further that any Special Assessments credited to the Construction Account shall only be applied towards payment of the costs of the Project upon adoption of a resolution by the City Council determining that the application of the Special Assessments for such purpose will not cause the Issuer to no longer be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1. Other costs for which payment from the Construction Account is authorized shall include costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Bonds.

B. Debt Service Account.

(1) There is pledged and appropriated and there shall be credited to the Debt Service Account: (i) the Accrued Interest; (ii) the Capitalized Interest; (iii) the Additional Interest; (iv) Special Assessments levied or to be levied for the Project and either initially credited to the Construction Account and not already spent as permitted above and required to pay any principal and interest due on the Bonds or collected subsequent to the completion of the Project and payment of the costs thereof; (v) Taxes; (vi) all funds remaining in the Construction Account after completion of the Project and payment of the costs thereof, not so transferred to the account of another improvement; (vii) any and all other moneys which are properly available and are appropriated by the governing body of the Issuer to the Debt Service Account; and (viii) investment earnings on the monies identified in the foregoing clauses (i) through (vii). The proceeds of the Bonds described in clauses (i) through (viii) of the preceding sentence shall be used for payment of interest on the Bonds.

(2) The money in such account shall be used for no purpose other than the payment of principal and interest and redemption premium, if any, on the Bonds and any other general obligation bonds of the Issuer hereafter issued by the Issuer and made payable from said account as provided by law; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Account, the Administrator shall pay the same from any other fund of the Issuer, which fund shall be reimbursed from the Debt Service Account when the balance therein is sufficient.

5.03 Tax Levy. A. For the prompt and full payment of the principal and interest on the Bonds when due, the full faith and credit and taxing power of the Issuer are irrevocably pledged. There is levied a direct annual ad valorem tax upon all taxable property in the Issuer which shall be spread upon the tax rolls and collected with and as part of other general property

taxes in the Issuer. Said levies are for the years and in the amounts set forth in ATTACHMENT A hereto, which is incorporated by reference as though fully set forth herein.

B. The tax levies are such that if collected in full they, together with estimated collections of investment earnings and Special Assessments herein pledged for payment of the Bonds, will produce at least 5% in excess of the amount needed to meet when due the principal and interest payments on the Bonds.

C. The tax levies shall be irrevocable so long as any of the Bonds are outstanding and unpaid; provided, however, that on November 30 of each year, while any Bonds issued hereunder remain outstanding, the City Council shall reduce or cancel the above levies to the extent of funds available in the Debt Service Account to pay principal and interest due during the ensuing year, and shall direct the County Auditor to reduce the levy for such calendar year by that amount.

5.04 Investments. Monies on deposit in the Construction Account and in the Debt Service Account may, at the discretion of the Administrator, be invested in securities permitted by Minnesota Statutes, Chapter 118A, that any such investments shall mature at such times and in such amounts as will permit for payment of project costs and/or payment of the principal and interest on the Bonds when due.

Section 6. Tax Covenants.

6.01 General.

A. The Issuer covenants and agrees with the Holders of the Bonds that the Issuer will (i) take all action on its part necessary to cause the interest on the Bonds to be exempt from federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Bonds to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes.

B. The Issuer covenants with the Holders from time to time of the Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest payable on the Bonds to become subject to taxation under the Internal Revenue Code; and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to insure that such interest will not become subject to taxation under the Code. The term "Internal Revenue Code" or "Code" as used herein includes the Internal Revenue Code of 1986, as amended, and all regulations, amended regulations and proposed regulations issued thereunder, as now existing, or as hereafter amended or proposed.

C. No portion of the proceeds of the Bonds shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (i) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued and (ii) in addition to the above in an amount not greater than the lesser of five percent (5%) of the proceeds of the Bonds or \$100,000. To this effect any proceeds of the Bonds and any sums from time to time held in the Debt Service Account (or any other Issuer account which will be used to pay principal or interest to become due on the Bonds payable therefrom) in excess of amounts which under then applicable federal arbitrage restrictions may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. Money in those funds shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

6.02. Small-Issuer Rebate Exception. For purposes of qualifying for the small-issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

- A. the Issuer is a governmental unit with general taxing powers;
- B. the Bonds are not "private activity bonds" as defined in Section 141 of the Code;
- C. 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer; and
- D. the aggregate face amount of the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

6.03. Bank Qualification. In order to qualify the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

- A. the Bonds are not "private activity bonds" as defined in Section 141 of the Code;
- B. the Issuer designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;
- C. the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the Issuer (and all entities whose obligations will be

aggregated with those of the Issuer) during the calendar year in which the Bonds are being issued will not exceed \$10,000,000; and

D. not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Bonds are being issued have been designated for purposes of Section 265(b)(3) of the Code.

6.04 Arbitrage Certification. The Mayor and the Administrator, being the officers of the Issuer charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser an arbitrage certification in order to satisfy the provisions of the Code and the regulations promulgated thereunder.

6.05 Opinion of Counsel. Notwithstanding any other provision of this Section 6, any requirement imposed hereunder or under Section 5 hereof may be deemed inapplicable and of no force or effect if an opinion of counsel is rendered to the Issuer by nationally recognized Bond Counsel to the effect that the failure to impose such requirement will not adversely effect the tax exempt status of interest on the Bonds.

6.06 Minnesota Public Facilities Authority Credit Enhancement Program.

A. Closing is contingent upon participation by the Issuer in the State of Minnesota Public Facilities Authority Credit Enhancement Program.

B. The City Council covenants and obligates itself to be bound by the provisions of Minnesota Statutes, Section 446A.086. The Issuer has entered into the State of Minnesota Public Facilities Authority Credit Enhancement Program Agreement with the Minnesota Public Facilities Authority (the "PFA Agreement"). The PFA Agreement is incorporated by reference as if fully set forth herein. The provisions of the PFA Agreement are ratified and confirmed.

C. The Issuer understands that as a result of its entering into the PFA Agreement, the provisions of Minnesota Statutes, Section 446A.086, shall be binding as long as the Note remains outstanding.

D. The Bond Registrar is authorized and directed to notify the Minnesota Commissioner of Finance if it becomes aware of a potential default in the payment of principal or interest on the Note or if, on the day two business days prior to the date a payment is due on the Note, there are insufficient funds to make that payment on deposit with the Bond Registrar.

E. The Issuer further covenants to comply with all procedures now or hereafter established by the Minnesota Department of Finance pursuant to Minnesota Statutes, Section 446A.086 and otherwise to take such actions as necessary to comply with that section.

Section 7. Certificates of Proceedings; Miscellaneous.

7.01 Filing of Resolution; County Auditor Certificate. The Administrator is directed to file a certified copy of this Resolution in the office of the County Auditor of Cottonwood

County, along with such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Bonds herein authorized have been duly entered on the Auditor's register and that the tax required by law for the payment of said Bonds has been levied.

7.02 Authentication of Transcript. The officers of the Issuer are authorized and directed to prepare and furnish to the Purchaser and to Bond Counsel certified copies of all proceedings and records of the Issuer relating to the authorization and issuance of the Bonds and to the financial condition and affairs of the Issuer and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Bonds as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the Issuer as to the correctness of facts recited therein and the actions stated therein to have been taken.

7.03 Offering Materials. The Official Statement relating to the Bonds, on file with the Administrator and presented to this meeting, is approved and deemed final, and the furnishing thereof to prospective purchasers of the Bonds is ratified and confirmed, insofar as the same relates to the Bonds and the sale thereof. The Mayor and the Administrator are authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is a complete and accurate representation of the facts and representations made therein as of the date of the Official Statement.

7.04 Absent or Disabled Officers. In the event of the absence or disability of the Mayor or the Administrator, such officers or members of the City Council as in the opinion of the Issuer's attorney may act in their behalf shall, without further act or authorization, execute and deliver the Bonds, and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.

7.05 Defeasance. When all Bonds have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered holders of the Bonds shall, to the extent permitted by law, cease. The Issuer may discharge its obligations with respect to any Bonds which are due on any date by irrevocably depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Bond Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The Issuer may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The Issuer may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without

regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

Section 8. Continuing Disclosure. The City Council acknowledges that the Bonds are subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (the "Rule"). The Rule governs the obligations of certain underwriters to require that issuers of municipal bonds enter into agreements for the benefit of the Holders to provide continuing disclosure with respect to the Bonds. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit underwriters of the Bonds to comply with the Rule, which will enhance the marketability of the Bonds, the Mayor and the Administrator are authorized and directed to execute a Limited Continuing Disclosure Certificate substantially in the form of the Certificate currently on file in the office of the Issuer.

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Adopted this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest: _____
Steve Nasby, City Administrator

MADOC5\12336\000022\ROL\10J9190.DOC

STATE OF MINNESOTA)
) ss.
COUNTY OF COTTONWOOD)

I, the undersigned, the duly qualified and acting Administrator of the City of Windom, Minnesota (the "Issuer"), do certify that I am the official custodian of the records of the Issuer, and that I have compared the attached copy with the original records of the Issuer, and that it is a true and correct transcript taken from the records of a meeting of the City Council, held at the City of Windom in said State, on May 7, 2013.

IN WITNESS WHEREOF, I have hereunto set my hand as Administrator of the Issuer on May 7, 2013.

Steve Nasby, City Administrator

RESOLUTION # 2013-

INTRODUCED:

SECONDED:

VOTED: Aye:

Nay:

Absent:

RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF \$625,000 GENERAL OBLIGATION BONDS, SERIES 2013B, TO PAY A PORTION OF THE COSTS OF LOCAL PUBLIC IMPROVEMENTS; ESTABLISHING THE TERMS AND CONDITIONS THEREFOR; CREATING A PROJECT ACCOUNT AND A DEBT SERVICE ACCOUNT THEREFOR; AND AWARDING THE SALE THEREOF

BE IT RESOLVED, by the City Council of the City of Windom, Cottonwood County, Minnesota (the "Issuer"), as follows:

Section 1. Bond Purpose, Authorization, and Award.

1.01 Authority and Purpose.

A. The City Council directs the issuance and sale of \$625,000 General Obligation Bonds, Series 2013B of the Issuer (the "Bonds"), for the following purposes:

(i) under the authority contained in Minnesota Statutes, Sections 410.32 and 412.301 and Chapter 475 and the Issuer's Charter, to provide funds to purchase certain items of capital equipment, (the "Equipment");

(ii) under the authority contained in Minnesota Statutes, Chapters 429 and 475 and the Issuer's Charter, to finance a portion of the costs of local public improvements which are to be paid for in part by special assessments levied or to be levied upon benefited property (the "Improvement," and together with the Equipment, the "Project");

(iii) for payment of part of the interest cost of the Bonds; and

(iv) for payment of part of the issuance costs of the Bonds.

B. The portion of the Bonds allocated to financing the Equipment described in paragraph A(i) and allocable costs referred to in paragraphs A(iii) and (iv) above is referred to herein as the "Equipment Portion" and the portion of the Bonds allocated to financing the Improvement described in paragraph A(ii) and allocable costs referred to in paragraphs A(iii) and (iv) above is referred to herein as the "Improvement Portion."

C. The principal of and interest on the Improvement Portion shall be paid primarily from special assessments levied upon benefited property (the "Special Assessments") and ad

valorem taxes (the "Taxes" and together with the Special Assessments, the "Pledged Revenues"). The Improvement is ordered as required by Minnesota Statutes, Section 429.091, Subdivision 1.

D. The principal of and interest on the Equipment Portion shall be paid primarily from the Taxes.

E. The Bonds shall provide funds to finance the Project. The total cost of the Project, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Bonds. The Issuer covenants that it shall do all things and perform all acts required of it to assure that work on the Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

1.02 Independent Financial Advisor. The Issuer has retained the services of Ehlers & Associates, Inc. as its independent financial advisor.

1.03 Award of Sale. The Issuer has received an offer from _____ of _____, _____ (the "Purchaser"), to purchase the Bonds at a cash price of \$ _____, plus accrued interest on the total principal amount from June 4, 2013, to the date of delivery upon the terms and conditions hereafter specified in this Resolution. The City Council, after due consideration, finds such offer reasonable and proper and the offer of the Purchaser is accepted. The Mayor and the Administrator are authorized and directed to execute on the part of the Issuer a contract for the sale of the Bonds in accordance with the Purchaser's proposal, and to acknowledge receipt of the security for the proposal, if any.

Section 2. Terms of the Bonds.

2.01 Date and Maturities. A. The Bonds shall be (i) issued as fully-registered bonds, (ii) designated "\$625,000 General Obligation Bonds, Series 2013B," (iii) dated the date of closing and delivery to the Purchaser as of the date of original issue, (iv) issued in the denomination of \$5,000, or any integral multiple thereof, (v) issued in fully registered form, and (vi) lettered and numbered R-1 and upward.

B. The Bonds shall mature on February 1 in the years and amounts stated below and shall bear interest from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue until paid at the rates per annum set forth below opposite such years and amounts:

| Year (February 1) | Equipment Portion | Improvement Portion | Total | Interest Rate |
|----------------------|----------------------|------------------------|-------|------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| Year (February 1) | Equipment Portion | Improvement Portion | Total | Interest Rate |
|----------------------|----------------------|------------------------|-------|------------------|
| | | | | |

C. The maturities of the Bonds, together with the maturities of all other outstanding general obligation bonds of the Issuer, meet the requirements of Section 475.54 of the Act.

2.02 Interest Payment Dates; Record Date.

A. The Bonds shall bear interest at the annual rates stated therefor in Section 2.01. The interest shall be payable semiannually on February 1 and August 1 in each year (each referred to herein as an "Interest Payment Date") commencing on February 1, 2014. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to the rules of the Municipal Securities Rulemaking Board.

B. The Bond Registrar designated below shall make all interest payments with respect to the Bonds by check or draft mailed to the person in whose name each Bond is registered (the "Holder") and in each case at the address shown on the bond registration records maintained by the Bond Registrar at the close of business on the 15th day (whether or not on a business day) of the calendar month next preceding the Interest Payment Date (the "Regular Record Date"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date fixed for the payment of such defaulted interest (the "Special Record Date"). The Special Record Date shall be fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest and notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The term "Holder" shall also include those lawfully entitled to take actions on behalf of the beneficial owners of the Bonds for purposes of any consent or approvals given by Holders.

C. If the date for payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

2.03 Redemption. A. The Bonds maturing in the years 2015 through 2021 shall not be subject to redemption and prepayment before maturity, but those maturing, or subject to mandatory redemption, in the year 2022 and in subsequent years shall each be subject to redemption and prepayment at the option of the Issuer on February 1, 2021, and on any business day thereafter, in whole or in part, and if in part, at the option of the Issuer and in such manner as the Issuer shall determine at a price of par plus accrued interest to the date of redemption.

B. In the event any of the Bonds are called for redemption, notice thereof identifying the Bonds to be redeemed will be given by the Bond Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) at least 30 days but not more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books kept by the Bond Registrar; provided however, that so long as the Bonds are registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), notice of redemption shall be given in accordance with the terms of the Representation Letter hereinafter described. Failure to give notice by mail to any registered owner, or any defect therein, will not affect the validity of any proceeding for the redemption of Bonds not affected by such defect or failure. Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

C. If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the Issuer or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest.

D. The Bonds maturing on February 1 in the years ____, ____ and ____ shall be subject to mandatory redemption prior to maturity pursuant to the requirements of this Section 2.03B at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Bond Registrar, as designated below, shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts:

For Bonds maturing on February 1, 20__:

| Year | Equipment Portion | Improvement Portion | Total |
|------|-------------------|---------------------|-------|
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| | | | |
| | | | |

For Bonds maturing on February 1, 20__:

| Year | Equipment Portion | Improvement Portion | Total |
|------|-------------------|---------------------|-------|
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For Bonds maturing on February 1, 20__ :

| Year | Equipment Portion | Improvement Portion | Total |
|------|-------------------|---------------------|-------|
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Section 3. Registration; Global Book Entry System.

3.01 Designation of Bond Registrar. The City Council appoints Bond Trust Services, Corporation, Roseville, Minnesota, as registrar, authenticating agent and transfer agent for the Bonds (such bank or its successors is herein referred to as the "Bond Registrar"), and shall do so until a successor Bond Registrar is duly appointed, all pursuant to a contract which the Issuer and the Bond Registrar shall execute which is consistent herewith and which the Mayor and Administrator are authorized to execute and deliver. A successor Bond Registrar shall be a bank or trust company eligible for designation as bond registrar pursuant to the Act. The terms of the appointment of the successor Bond Registrar and its duties shall be specified in a contract between the Issuer and such successor Bond Registrar that is consistent herewith and that the Mayor and Administrator are authorized to execute and deliver. The Bond Registrar, which may act through an agent, shall also serve as paying agent until and unless a successor paying agent is duly appointed. The Bond Registrar shall pay principal and interest on the Bonds to the registered Holders (or record Holders) of the Bonds in the manner set forth herein. The Issuer agrees to pay the reasonable and customary charges for the services of such Bond Registrar.

3.02 Designation of Depository. DTC, a Securities and Exchange Commission designated depository, a limited purpose New York trust company, a member of the Federal Reserve System, and a "clearing corporation" within the meaning of the New York Uniform Commercial Code, is designated as the depository (the "Depository") with respect to the Bonds.

3.03 Authentication of Bonds. No Bond shall be valid or obligatory for any purpose unless or until either (i) the Bond Registrar's authentication certificate on such Bond, substantially set forth in Section 4.01 hereof, shall have been duly executed by an authorized representative of the Bond Registrar or (ii) the Bonds have been manually executed by at least one officer of the City Council. Authentication certificates on different Bonds need not be signed by the same representative. The Bond Registrar shall authenticate each Bond by execution of the Certificate of Authentication on the Bond and shall date each Bond in the space provided as of the date on which the Bond is registered. For purposes of delivering the original Bonds, the Bond Registrar shall insert as the date of registration the date of original issue. The executed Authentication Certificate or the manual signature of at least one officer of the City Council on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

3.04 Bond Register; Transfer; Exchange.

A. The Issuer shall cause to be kept by the Bond Registrar at its principal office, a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and the registration of transfers of the Bonds entitled to be registered or transferred as herein provided. In the event of the resignation or removal of the Bond Registrar or its incapability of acting as such, the bond registration records shall be maintained at the office of the successor Bond Registrar as may be appointed by the City Council.

B. Upon surrender for transfer of any Bond at the principal corporate office of the Bond Registrar, the Issuer shall execute, if required by law or this Resolution, and the Bond Registrar shall authenticate, if required by law or this Resolution, date (in the space designated Date of Registration) and deliver, in the name(s) of the designated transferee or transferees, one or more new Bonds of the like aggregate principal amount having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation. Transfer of a Bond may be made on the Issuer's books by the registered owner in person or by the registered owner's attorney duly authorized in writing. Transfers shall be subject to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates. The Issuer and the Bond Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption or to make any such exchange or transfer of the Bonds during the 15 days next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of the Bonds.

C. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the registered owner thereof, with signature guaranteed, or by the registered Holder's attorney duly authorized in writing, and shall include written instructions as to the details of the transfer of the Bond. When any Bond is presented to the Bond Registrar for transfer, the Bond Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Bond Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

D. At the option of the Holder, replacement Bonds may be exchanged for Bonds of any authorized denomination or denominations of a like aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute (if required by law or this Resolution), and the Bond Registrar shall authenticate (if required by law or this Resolution), date (in the space designated Date of Registration) and deliver the replacement Bonds which the Holder making the exchange is entitled to receive. Bonds registered in the name of Cede & Co. may not be exchanged for Bonds of smaller denominations.

E. All Bonds surrendered upon any exchange or transfer provided for in this Resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the Issuer.

F. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all of the rights to interest, accrued and unpaid and to accrue, which are carried by such other Bond. All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the Issuer evidencing the same debt, shall be entitled to the same benefits under this Resolution as the Bonds surrendered for such exchange or transfer, and shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bonds.

G. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of any Bond and any legal or unusual costs regarding transfers and lost bonds.

H. Bonds registered in the name of Cede & Co. may not after their original delivery, be transferred or exchanged except in accordance with the terms and conditions of the Representation Letter and:

(i) upon exchange of a Bond after a partial redemption, if provided in Section 2.03 of this Resolution;

(ii) to any successor of the Depository (or its nominee) or any substitute depository (a "Substitute Depository") designated pursuant to clause (iii) below; provided that any successor of the Depository or any Substitute Depository must be both a "clearing corporation" as defined in the Minnesota Uniform Commercial Code, Minnesota Statutes, Section 336.8-102, and a qualified and registered "clearing agency" as provided in Section 17A of the Securities Exchange Act of 1934, as amended;

(iii) to a Substitute Depository designated by and acceptable to the Issuer upon (a) the determination by the Depository that the Bonds shall no longer be eligible for its depository services or (b) a determination by the Issuer that the Depository is no longer able to carry out its functions; provided that any Substitute Depository must be qualified to act as such, as provided in subclause (ii) above; or

(iv) in the event that (a) the Depository shall resign or discontinue its services for the Bonds or be declared no longer able to carry out its functions and the Issuer is unable to locate a Substitute Depository within two months following the resignation or discontinuance or determination of noneligibility, or (b) the Issuer determines in its sole discretion that (1) the continuation of the book-entry system described herein might adversely affect the interests of the beneficial owners of the Bonds, or (2) it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, then the Issuer shall notify the Holders of its determination and of the availability of replacement Bonds to Holders. The Issuer, the Bond Registrar and the Depository

shall cooperate in providing Replacement Bonds to Holders requesting the same and the registration, transfer and exchange of such Bonds shall thereafter be conducted as provided in Section 3 of this Resolution.

I. In the event of the designation of a Substitute Depository as authorized by clause H., the Bond Registrar, upon presentation of a Bond, shall register their transfer to the Substitute Depository, and the Substitute Depository shall be treated as the Depository for all purposes and functions under this Resolution. The Representation Letter shall not apply to the Substitute Depository unless the Issuer and the Substitute Depository so agree, and the execution of a similar agreement is authorized.

3.05 Persons Deemed Owners; Payment.

A. The Issuer and the Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest (subject to the payment provisions in Section 2.02 above), on such Bond and for all other purposes whatsoever, whether or not such Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

B. For the purposes of all actions, consents and other matters affecting Holders of Bonds issued under this Resolution as from time to time supplemented, other than payments, redemptions, and purchases, the Issuer may (but shall not be obligated to) treat as the Holder of a Bond the beneficial owner of the Bond instead of the person in whose name the Bond is registered. For that purpose, the Issuer may ascertain the identity of the beneficial owner of the Bond by such means as the Bond Registrar in its sole discretion deems appropriate, including but not limited to a certificate from the Depository or other person in whose name the Bond is registered identifying such beneficial owner.

C. The principal of and interest on the Bonds shall be payable by the Bond Registrar in such funds as are legal tender for the payment of debts due the United States of America. The Issuer shall pay the reasonable and customary charges of the Bond Registrar for the disbursement of principal and interest.

3.06 Use of Global Book-Entry System.

A. There has been previously submitted to this City Council a form of Blanket Issuer Letter of Representations (the "Letter of Representations") between the Issuer and the Depository setting forth various matters relating to the Depository and its role with respect to the Bonds. The terms and conditions of the Letter of Representations are ratified.

B. So long as DTC is the Depository or it or its nominee is the Holder of any Bonds, the Issuer shall comply with the provisions of the Letter of Representations, as it may be amended or supplemented from time to time.

C. Additional matters with respect to, among other things, notices, consents and approvals by Holders and payments on the Bonds are set forth in the Letter of Representations.

D. The provisions in the Letter of Representations are incorporated herein by reference and made a part of this Resolution, and if and to the extent any such provisions are inconsistent with the other provisions of this Resolution, the provisions in the Letter of Representations shall control.

3.07 Mutilated, Stolen or Destroyed Bonds. If a Bond becomes mutilated or is destroyed, stolen, or lost, the Bond Registrar will deliver a new Bond of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen, or lost, upon the payment of the reasonable expenses and charges of the Bond Registrar and the Issuer in connection therewith, including the cost of printing new Bonds; and, in the case of a Bond destroyed, stolen, or lost, upon filing with the Bond Registrar and the Issuer of evidence satisfactory to it and the Issuer that the Bond was destroyed, stolen, or lost, and of the ownership thereof, and upon furnishing to the Bond Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it and the Issuer and as provided by law, in which both the Issuer and the Bond Registrar must be named as obligees. Bonds so surrendered to the Bond Registrar will be canceled by the Bond Registrar and evidence of such cancellation must be given to the Issuer. If the mutilated, destroyed, stolen, or lost Bond has already matured or been called for redemption in accordance with its terms, it is not necessary to issue a new Bond prior to payment.

Section 4. Form of the Bonds.

4.01 The Bonds shall be printed or typewritten in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF COTTONWOOD

R-_____ \$ _____

CITY OF WINDOM
GENERAL OBLIGATION IMPROVEMENT BOND, SERIES 2013A

| <u>Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> | <u>CUSIP</u> |
|-------------|----------------------|-------------------------------|--------------|
| ____% | February 1, 20__ | June __, 2013 | _____ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

The City of Windom, Cottonwood County, Minnesota (the "Issuer"), certifies that it is indebted and for value received, promises to pay to the registered owner specified above or on the Registration Certificate attached hereto, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, and to pay interest thereon from the date of original issue set forth above, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for, until the

principal amount is paid, said interest being at the rate per annum specified above. Interest is payable semiannually on February 1 and August 1 of each year (each referred to herein as an "Interest Payment Date") commencing on February 1, 2015, at the rate per annum specified above, calculated on the basis of a 360-day year of twelve 30-day months, until the principal amount is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue hereof set forth above.

Payment. The principal of and premium, if any, on this Bond are payable by wire transfer (or other agreed means of payment) on each payment date no later than 12:00 noon (New York, New York time) upon presentation and surrender hereof at the office of Bond Trust Services Corporation, Roseville, Minnesota, as registrar, paying agent, authenticating agent and transfer agent (the "Bond Registrar"), or at the office of such successor bond registrar as may be designated by the Issuer. Interest on this Bond will be paid on each Interest Payment Date (by 12:00 noon, New York, New York time) by wire transfer (or other agreed means of payment) to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the 15th day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid or duly provided for shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date fixed for the payment of the defaulted interest, and notice of the special record date shall be given by the Bond Registrar to the Holders not less than (10) ten days prior thereto. The Bond Registrar shall make all payments with respect to this Bond without, except for payment of principal on the Bond, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Issuer to the extent of the payments so made. The principal of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. For the prompt and full payment of such principal and interest as they become due, the full faith and credit of the Issuer are irrevocably pledged.

Date of Payment Not Business Day. If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Optional Redemption. The Bonds maturing in the years 2015 through 2021 shall not be subject to redemption before maturity, but those maturing in the year 2022 and subsequent years are each subject to redemption and prepayment at the option of the Issuer on February 1, 2021, and on any business day thereafter, in whole or in part, and if in part at the option of the Issuer and in such manner as the Issuer shall determine and by lot as to Bonds maturing in the same year, at a price of par plus accrued interest to the date of redemption.

Mandatory Redemption. The Bonds maturing in the years ___, ___ and ___ shall be subject to mandatory redemption prior to maturity pursuant to the requirements of the Resolution at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium.

Notice of and Selection of Bonds for Redemption. Not less than 30 nor more than 60 days prior to the date fixed for redemption and prepayment of any Bonds, notice of redemption shall be mailed to each registered owner of a Bond to be redeemed; provided, however, that so long as the Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), notice of redemption shall be given in accordance with the terms of the Blanket Issuer Letter of Representations which has been executed by the Issuer and DTC (the "Representation Letter").

If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the Issuer or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest. If any Bond is redeemed in part, upon surrender of the Bond being redeemed, the Issuer shall deliver or cause to be delivered to the registered owner of such Bond, a Bond in like form in the principal amount equal to that portion of the Bond so surrendered not being redeemed.

Issuance; Purpose. This Bond is one of a series issued by the Issuer in the total aggregate amount of \$625,000 General Obligation Bonds, Series 2013B, all of like original issue date and tenor, except as to number, maturity date, redemption privilege, denomination and interest rate, pursuant to: (i) the authority contained in Minnesota Statutes, Chapters 429 and 475 and Sections 410.32 and 412.301; (ii) the Constitution of the State of Minnesota and all other laws thereunto enabling; (iii) the Issuer's Home Rule Charter and (iv) an authorizing resolution adopted by the governing body of the Issuer on May 7, 2013 (the "Resolution"), and is issued for the purpose of (i) financing a portion of the costs of local public improvements and (ii) the purchase capital equipment. The Bonds are payable from special assessments levied against property specially benefited by local improvements and a direct annual irrevocable ad valorem tax levied upon all of the taxable property within the Issuer. Reference is hereby made to the Resolution for a full statement of rights and powers thereby conferred.

General Obligation. This Bond constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of the principal and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are irrevocably pledged.

Denominations; Exchange. The Bonds of this series are issued as fully registered bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof. The Issuer will,

at the request of the registered owner, issue one or more new fully registered Bonds in the name of the registered owner in the aggregate principal amount equal to the unpaid principal balance of this Bond, and of like tenor except as to number and principal amount at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution and the Representation Letter. Reference is made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Registration; Transfer. This Bond shall be registered in the name of the payee on the books of the Issuer by presenting this Bond for registration to the Bond Registrar, whose representative will endorse his or her name and note the date of registration opposite the name of the payee in the Registration Certificate attached hereto. Thereafter this Bond may be transferred by delivery with an assignment duly executed by the Holder or the Holder's legal representative, and the Issuer and Bond Registrar may treat the Holder as the person exclusively entitled to exercise all the rights and powers of an owner until this Bond is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Bond Registrar, all subject to the terms and conditions provided in the Resolution and the Representation Letter and to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar. Thereupon the Issuer shall execute (if required by law or the Resolution) and the Bond Registrar shall authenticate (if required by law or the Resolution) and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee, of an authorized denomination, in an aggregate principal amount equal to the principal amount of this Bond, of the same maturity, and bearing interest at the same rate.

Fees Upon Transfer or Loss. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds. No service charge shall be made by the Issuer for any transfer or exchange hereinbefore referred to but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Treatment of Registered Owner. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whatsoever, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

Authentication. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until either (i) the Bond Registrar's Authentication Certificate hereon shall have been executed by the Bond Registrar by one of its authorized representatives or (ii) the Bond has been manually executed by at least one officer of the governing body of the Issuer.

Qualified Tax-Exempt Obligations. The Bonds of this issue have been designated by the Issuer as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal

Revenue Code of 1986, as amended, relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

IT IS CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding general obligation of the Issuer enforceable in accordance with its terms, have been done, have happened and have been performed in regular and due form, time and manner as so required; that, if necessary for payment of principal of and interest on the Bonds of this issue, ad valorem taxes may be levied upon all taxable property in the Issuer without limitation as to rate or amount; and that the issuance of this Bond on the date of original issue hereof and the date of its actual original issuance and delivery, does not exceed any constitutional, charter or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Windom, Cottonwood County, Minnesota, by its governing body, has caused this Bond to be executed in its name by the facsimile signature of the Mayor and attested by the facsimile signature of the Administrator, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

ATTEST:

(Form- No signature required) _____ *(Form-No signature required)* _____
Administrator Mayor

Date of Authentication: _____

BOND REGISTRAR'S AUTHENTICATION CERTIFICATE

The Bond Registrar confirms that the books reflect the ownership of the Bond registered in the name of the owner named above in the principal amount and maturing on the date stated above and this Bond is one of the Bonds of the series issued pursuant to the Resolution hereinabove described.

BOND TRUST SERVICES CORPORATION
ROSEVILLE, MINNESOTA
Bond Registrar

By _____
Authorized Representative

REGISTRATION CERTIFICATE

This Bond must be registered as to both principal and interest in the name of the owner on the books to be kept by Bond Trust Services Corporation, Roseville, Minnesota, as Bond

Registrar. No transfer of this Bond shall be valid unless made on said books by the registered owner or the owner's attorney thereunto duly authorized and similarly noted on the registration books. The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of Bond Trust Services Corporation in the name of the registered owner last noted below.

| | | |
|-----------|---|-----------------------------|
| Date | Registered Owner | Signature of Bond Registrar |
| 06/___/13 | Cede & Co. c/o The Depository Trust Company 55 Water Street New York, NY 10041 Federal Taxpayer I.D. No.: 13-2555119 | _____ |

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Name and Address of Assignee)

Social Security or Other
Identifying Number of Assignee

the within Bond and all rights thereunder and does irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

(Bank, Trust Company, member of
National Securities Exchange)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange, or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

4.02 Preparation and Execution. The Bonds shall be prepared for execution in accordance with the approved form and shall be signed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Administrator. The legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A. shall be appended to each Bond. The corporate seal of the Issuer may be omitted from the Bonds as permitted by law. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be an officer before delivery of the Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

4.03 Delivery of the Bonds. Delivery of the Bonds and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Purchaser. Printed or typewritten, and executed Bonds shall be furnished by the Issuer without cost to the Purchaser. The Bonds, when prepared in accordance with this Resolution and executed, shall be delivered by or under the direction of the Administrator to the Purchaser upon receipt of the purchase price plus accrued interest.

Section 5. Covenants, Findings, Accounts and Tax Levies.

5.01 Covenants and Findings.

A. The City Council hereby finds, determines and declares that:

- (i) the Equipment will have a useful life of not less than ten years; and
- (ii) the Equipment Portion does not exceed 0.25 percent of the market value of taxable property in the Issuer (\$205,405,010), which is an amount equal to \$472,431.

B. It is determined that the Improvement will directly and indirectly benefit abutting property, and the Issuer covenants with the holders from time to time of the Bonds as follows:

(i) The Issuer has caused or will cause the Special Assessments to be promptly levied so that the first installment will be collectible not later than 2014 and will take all steps necessary to assure prompt collection, and the levy of the Special Assessments is authorized for purposes of Minnesota Statutes, Section 475.55, Subdivision 3. The City Council will cause all further actions and proceedings to be taken with due diligence that are required for the construction of each portion of the Improvement financed wholly or partly from the proceeds of the Bonds, and for the final and valid levy of the Special Assessments and the appropriation of any other funds needed to pay the Bonds and interest thereon when due.

(ii) The Issuer will keep complete and accurate books and records showing: receipts and disbursements in connection with the Improvement and Special Assessments levied therefor and other funds appropriated for their payment, collections and disbursements thereof, moneys on hand and the balance of unpaid Special Assessments.

(iii) The City Council covenants and agrees with the holders of the Bonds and with its taxpayers that it will assess against benefited property not less than 20% of the cost of each Improvement financed hereunder within the meaning of Minnesota Statutes, Section 475.58, Subdivision 1(3).

(iv) The Issuer covenants and agrees that it will let all construction contracts not heretofore let within one year after ordering each Improvement financed hereunder unless the resolution ordering the Improvement specifies a different time limit for the letting of construction contracts.

(v) The Issuer further covenants and agrees that it will do and perform as soon as they may be done all acts and things necessary for the final and valid levy of such Special Assessments, and in the event that any such assessment be at any time held invalid with respect to any lot, piece or parcel of land due to any error, defect, or irregularity in any action or proceedings taken or to be taken by the Issuer or the City Council, or any of the Issuer officers or employees, either in the making of the Special Assessments or in the performance of any condition precedent thereto, the Issuer and the City Council will forthwith do all further acts and take all further proceedings as may be required by law to make the assessments a valid and binding lien upon such property.

C. It is recognized that the Issuer's liability on the Bonds is not limited to the Pledged Revenues, and the City Council covenants and agrees that in the event of any current or anticipated deficiency in Pledged Revenues, it will levy upon all taxable property within the Issuer and cause to be extended, assessed, and collected, any

additional taxes found necessary for full payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

D. The Issuer will cause its books and records to be audited and will furnish copies of such audit reports to any interested person upon request.

5.02 The Fund. There is created a special fund to be designated the "2013 Improvement Program Fund" (the "Fund") to be administered and maintained by the Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until all of the Bonds and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts, to be designated the "Project Account," and "Debt Service Account," respectively:

A. Project Account.

(1) On receipt of the purchase price of the Bonds, the Issuer shall credit proceeds from the sale of the Bonds, less amounts allocated as capitalized interest funded from Bond proceeds (the "Capitalized Interest") and less amounts used to pay part of the interest cost of the issue as allowed by Minnesota Statutes, Section 475.56 (the "Additional Interest") and less amounts allocated to accrued interest paid by the Purchaser upon closing and delivery of the Bonds (the "Accrued Interest.")

(2) From the Project Account there shall be paid all costs and expenses of making the Project, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65; and the moneys in said account shall be used for no other purpose except as otherwise provided by law; provided that the proceeds of the Bonds may also be used to the extent necessary to pay interest on the Bonds due prior to the anticipated date of commencement of the collection of Pledged Revenues and provided further that if upon completion of the Project there shall remain any unexpended balance in the Project Account, the balance (other than any Special Assessments) shall be transferred by the City Council to the Debt Service Account. Other costs for which payment from the Project Account is authorized shall include costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Bonds.

B. Debt Service Account.

(1) There is pledged and appropriated and there shall be credited to the Debt Service Account: (i) the Accrued Interest; (ii) the Capitalized Interest; (iii) the Additional Interest; (iv) Special Assessments levied or to be levied for the Project and either initially credited to the Project Account and not already spent as permitted above and required to pay any principal and interest due on the Bonds

or collected subsequent to the completion of the Project and payment of the costs thereof; (iv) Taxes; (v) all funds remaining in the Project Account after completion of the Project and payment of the costs thereof; (vi) any and all other moneys which are properly available and are appropriated by the governing body of the Issuer to the Debt Service Account; and (vii) investment earnings on the monies identified in the foregoing clauses (i) through (vi). The proceeds of the Bonds described in clauses (i) through (iii) of the preceding sentence shall be used for payment of interest on the Bonds.

(2) The money in such account shall be used for no purpose other than the payment of principal and interest and redemption premium, if any, on the Bonds and any other general obligation bonds of the Issuer hereafter issued by the Issuer and made payable from said account as provided by law; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Account, the Administrator shall pay the same from any other fund of the Issuer, which fund shall be reimbursed from the Debt Service Account when the balance therein is sufficient.

5.03 Tax Levy. A. For the prompt and full payment of the principal and interest on the Bonds when due, the full faith and credit and taxing power of the Issuer are irrevocably pledged. There is levied a direct annual ad valorem tax upon all taxable property in the Issuer which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the Issuer. Said levies are for the years and in the amounts set forth in ATTACHMENT A hereto, which is incorporated by reference as though fully set forth herein.

B. The tax levies are such that if collected in full they, together with estimated collections of investment earnings and Special Assessments herein pledged for payment of the Bonds, will produce at least 5% in excess of the amount needed to meet when due the principal and interest payments on the Bonds.

C. The tax levies shall be irrevocable so long as any of the Bonds are outstanding and unpaid; provided, however, that on November 30 of each year, while any Bonds issued hereunder remain outstanding, the City Council shall reduce or cancel the above levies to the extent of funds available in the Debt Service Account to pay principal and interest due during the ensuing year, and shall direct the County Auditor to reduce the levy for such calendar year by that amount.

5.04 Investments. Monies on deposit in the Project Account and in the Debt Service Account may, at the discretion of the Administrator, be invested in securities permitted by Minnesota Statutes, Chapter 118A, that any such investments shall mature at such times and in such amounts as will permit for payment of project costs and/or payment of the principal and interest on the Bonds when due.

Section 6. Tax Covenants.

6.01 General.

A. The Issuer covenants and agrees with the Holders of the Bonds that the Issuer will (i) take all action on its part necessary to cause the interest on the Bonds to be exempt from federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Bonds to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes.

B. The Issuer covenants with the Holders from time to time of the Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest payable on the Bonds to become subject to taxation under the Internal Revenue Code; and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to insure that such interest will not become subject to taxation under the Code. The term "Internal Revenue Code" or "Code" as used herein includes the Internal Revenue Code of 1986, as amended, and all regulations, amended regulations and proposed regulations issued thereunder, as now existing, or as hereafter amended or proposed.

C. No portion of the proceeds of the Bonds shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (i) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued and (ii) in addition to the above in an amount not greater than the lesser of five percent (5%) of the proceeds of the Bonds or \$100,000. To this effect any proceeds of the Bonds and any sums from time to time held in the Debt Service Account (or any other Issuer account which will be used to pay principal or interest to become due on the Bonds payable therefrom) in excess of amounts which under then applicable federal arbitrage restrictions may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. Money in those funds shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

6.02. Small-Issuer Rebate Exception. For purposes of qualifying for the small-issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

A. the Issuer is a governmental unit with general taxing powers;

B. the Bonds are not "private activity bonds" as defined in Section 141 of the Code;

C. 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer; and

D. the aggregate face amount of the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

6.03. Bank Qualification. In order to qualify the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

A. the Bonds are not "private activity bonds" as defined in Section 141 of the Code;

B. the Issuer designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;

C. the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Bonds are being issued will not exceed \$10,000,000; and

D. not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Bonds are being issued have been designated for purposes of Section 265(b)(3) of the Code.

6.04 Arbitrage Certification. The Mayor and the Administrator, being the officers of the Issuer charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser an arbitrage certification in order to satisfy the provisions of the Code and the regulations promulgated thereunder.

6.05 Opinion of Counsel. Notwithstanding any other provision of this Section 6, any requirement imposed hereunder or under Section 5 hereof may be deemed inapplicable and of no force or effect if an opinion of counsel is rendered to the Issuer by nationally recognized Bond Counsel to the effect that the failure to impose such requirement will not adversely effect the tax exempt status of interest on the Bonds.

Section 7. Certificates of Proceedings; Miscellaneous.

7.01 Filing of Resolution; County Auditor Certificate. The Administrator is directed to file a certified copy of this Resolution in the office of the County Auditor of Cottonwood

County, along with such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Bonds herein authorized have been duly entered on the Auditor's register and that the tax required by law for the payment of said Bonds has been levied.

7.02 Authentication of Transcript. The officers of the Issuer are authorized and directed to prepare and furnish to the Purchaser and to Bond Counsel certified copies of all proceedings and records of the Issuer relating to the authorization and issuance of the Bonds and to the financial condition and affairs of the Issuer and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Bonds as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the Issuer as to the correctness of facts recited therein and the actions stated therein to have been taken.

7.03 Offering Materials. The Official Statement relating to the Bonds, on file with the Administrator and presented to this meeting, is approved and deemed final, and the furnishing thereof to prospective purchasers of the Bonds is ratified and confirmed, insofar as the same relates to the Bonds and the sale thereof. The Mayor and the Administrator are authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is a complete and accurate representation of the facts and representations made therein as of the date of the Official Statement.

7.04 Absent or Disabled Officers. In the event of the absence or disability of the Mayor or the Administrator, such officers or members of the City Council as in the opinion of the Issuer's attorney may act in their behalf shall, without further act or authorization, execute and deliver the Bonds, and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.

7.05 Defeasance. When all Bonds have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered holders of the Bonds shall, to the extent permitted by law, cease. The Issuer may discharge its obligations with respect to any Bonds which are due on any date by irrevocably depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Bond Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The Issuer may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The Issuer may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without

regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

Section 8. Continuing Disclosure. The City Council acknowledges that the Bonds are subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (the "Rule"). The Rule governs the obligations of certain underwriters to require that issuers of municipal bonds enter into agreements for the benefit of the Holders to provide continuing disclosure with respect to the Bonds. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit underwriters of the Bonds to comply with the Rule, which will enhance the marketability of the Bonds, the Mayor and the Administrator are authorized and directed to execute a Limited Continuing Disclosure Certificate substantially in the form of the Certificate currently on file in the office of the Issuer.

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Adopted this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest: _____

Steve Nasby, City Administrator

MADOC5\12336\000022\ROLA\10J9190.DOC

STATE OF MINNESOTA)
) ss.
COUNTY OF COTTONWOOD)

I, the undersigned, the duly qualified and acting Administrator of the City of Windom, Minnesota (the "Issuer"), do certify that I am the official custodian of the records of the Issuer, and that I have compared the attached copy with the original records of the Issuer, and that it is a true and correct transcript taken from the records of a meeting of the City Council, held at the City of Windom in said State, on May 7, 2013.

IN WITNESS WHEREOF, I have hereunto set my hand as Administrator of the Issuer on May 7, 2013.

Steve Nasby, City Administrator

Memo

To: Mayor and City Council Members

From: Arena Building Committee

Date: 4/30/2013

Re: Agenda Item – Arena Building Committee Recommendations

The Arena Building Committee met on April 29th to conduct interviews and recommend an architect to complete the Preliminary Plans and Design phase for the Arena Building Project. The Committee conducted interviews with 292 Design Group, ATS & R and Paulsen Architects and following the interviews, the Committee is recommending that the Council select Paulsen Architects to complete this design phase of the project. (For Council review, a copy of Paulsen's presentation is attached.)

The Committee also reviewed expenses to determine a proposed budget and following review, the Committee is recommending that the Council allocate \$20,000 for this phase of the project.

The proposed budget is as follows:

| | |
|--|------------------|
| Site Visits | \$ 2,500 |
| Office Expense | \$ 500 |
| Architect – Preliminary Plans and Design | <u>\$ 17,000</u> |
| | \$ 20,000 |

Requested Actions:

- Approve the proposed budget of \$20,000 for current expenses for the Arena Building Committee.
- Approve the recommendation to hire Paulsen Architects to complete the Preliminary Plans and Design for the Arena Building Project.

A vision for the future.

Experience that equals success.

Bold designs to bring interest to our paths.



P A U L S E N A R C H I T E C T S

With HTG Architects, I&S Group, Inc, and Stevens Engineers

key personnel

architecture, interior design,
structural engineering, and
construction administration

Paulsen Architects

Bryan Paulsen, AIA, LEED AP, CID President/Principal Architect
Greg Borchert, CDT, LEED AP Construction Administrator
Jim Panko, PE Structural Engineer
Nicole Schroeder, IIDA, LEED AP Interior Designer

ice arena planning
consultant

HTG Architects

Chuck Freiberg, AIA Arena Consultant

mechanical, electrical,
and civil engineering

I & S Group, Inc.

Tony Effenberger, PE, LEED AP Mechanical Engineer
Mike Nelson, PE Electrical Engineer
Andy Brandel, PE Civil Engineer

ice arena
engineering

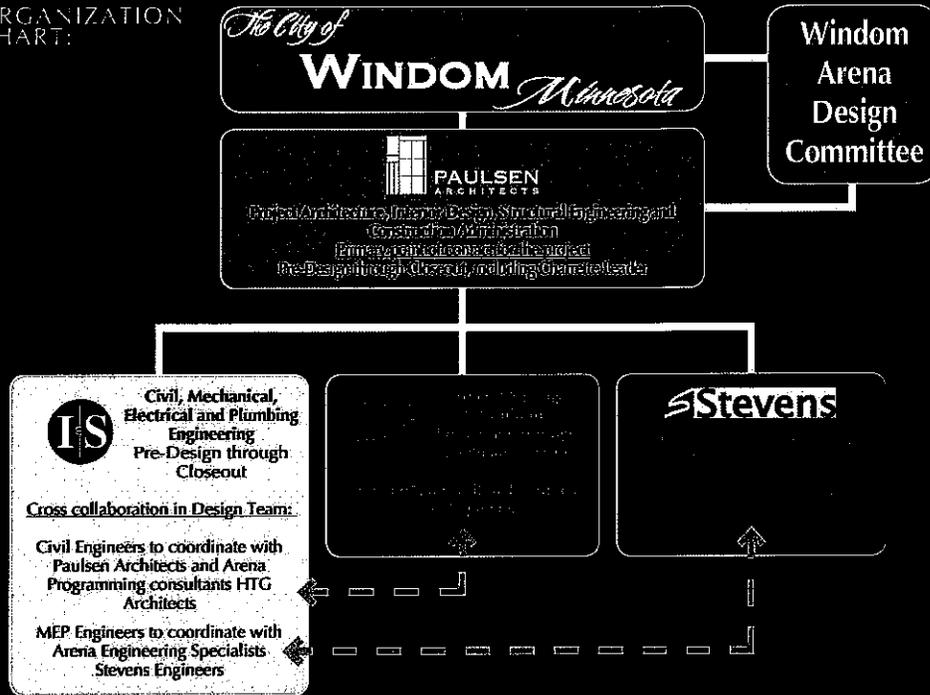
Stevens Engineers

Scott Ward, PE Arena Engineer

P A U L S E N A R C H I T E C T S T E A M

design team org chart

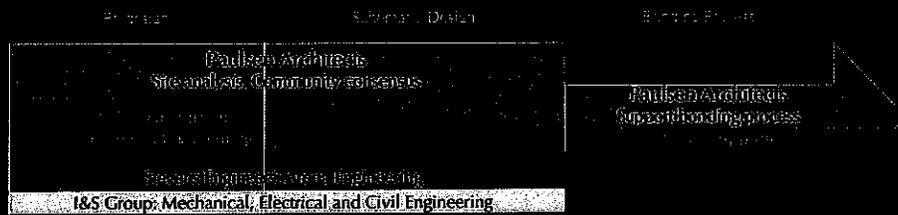
ORGANIZATION CHART:



PAULSEN ARCHITECTS TEAM

design team transition

DESIGN TEAM TRANSITION: PHASE I



DESIGN TEAM TRANSITION: PHASE II



PAULSEN ARCHITECTS TEAM

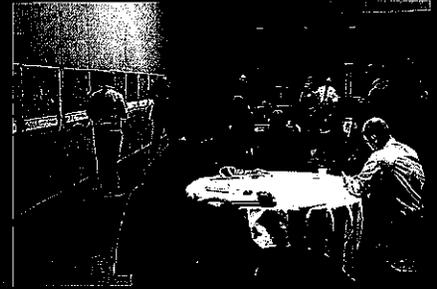
Develop preliminary cost models for options

Program both existing and new facilities for multiple options

Develop preliminary cost models for options

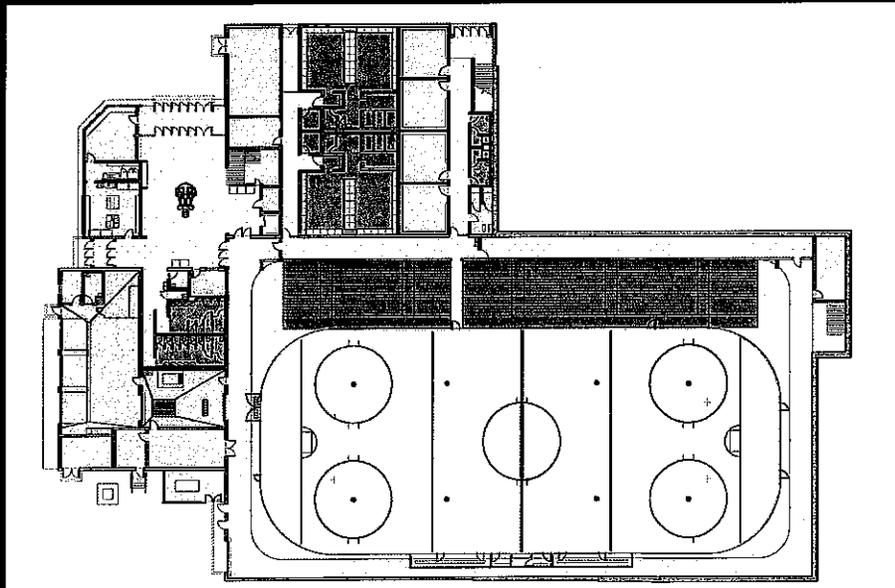
Determine which option best meets community's needs

Master plan for long-term vision



PAULSEN ARCHITECTS TEAM

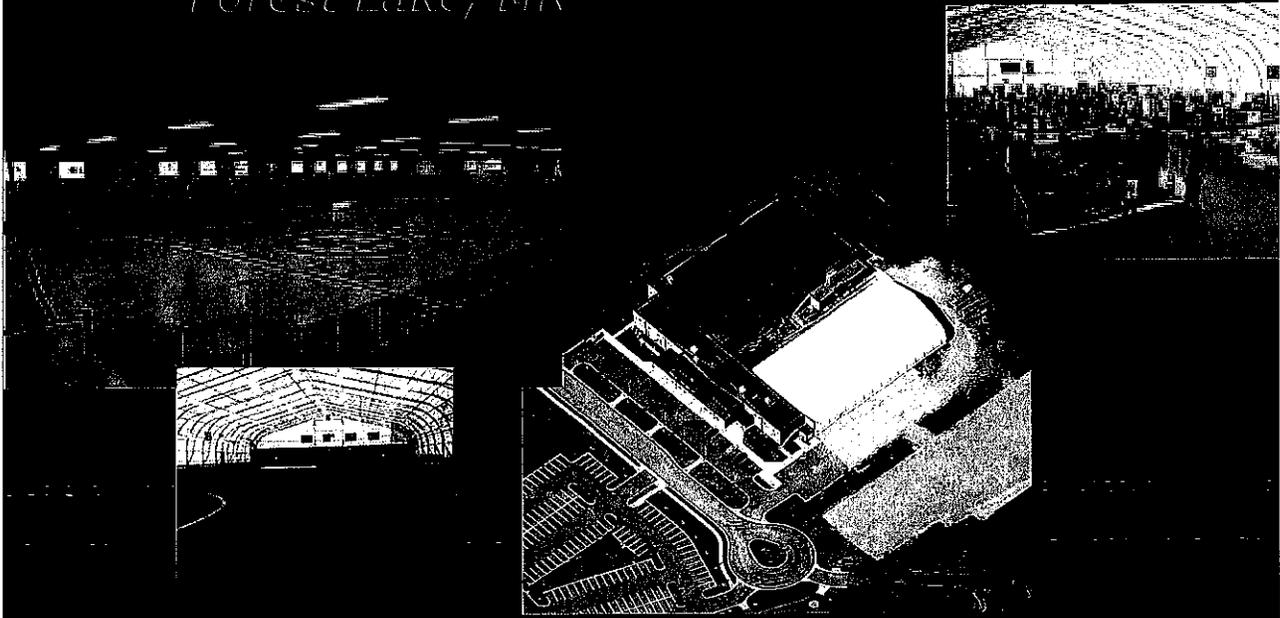
Pugel Center - Minnetonka, MN



PAULSEN ARCHITECTS TEAM

*KEY INCLUDES: Multi-use facility for
young children*

*Lichtscheidl Arena and Field House
Forest Lake, MN*



PAULSIN ARCHITECTS TEAM

Renovation/Expansion of existing facility

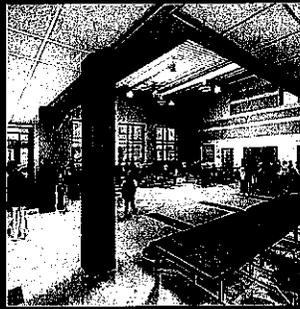


PAULSIN ARCHITECTS TEAM

Successful Community Projects:

Successful Community Projects:

District 77 Rosa Parks and Eagle Lake Elementary Schools
and Expansions for all day Kindergarten
Mankato's Civic Center expansion and Minnesota State
University, Mankato Hockey arena renovations
Miracle/Fallenstein Field - North Mankato
Children's Museum of Southern Minnesota
Riverfront Park
Housing projects: Public & Private



PAUSEN ARCHITECTS TEAM

Successful Community Process:

Gather public input
User group/Focus group meetings
Charrettes
Public presentations/meetings
Public relations support
Ground breaking ceremonies



PAUSEN ARCHITECTS TEAM

RENOVATION/EXPANSION FOLLOWING SEVERE DAMAGE

Renovation/Expansion of existing facility

Existing facility is 30-year building

- Near the end of life expectancy

Year-Round ice would be very expensive

Poor sightlines for Hockey

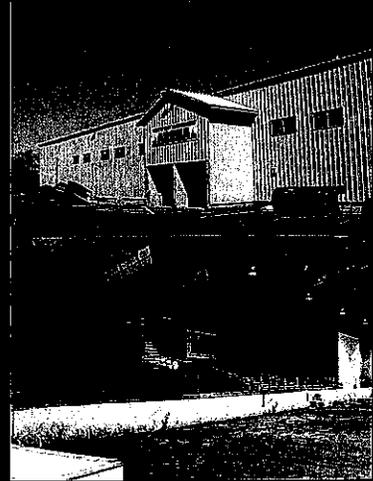
- Recommend new bleachers

New systems and floor

- Refrigerant and air handling systems

Building Codes/Life Safety

- ADA Accessibility
- Exiting requirements
- Locker and restroom upgrades



PAULSEN ARCHITECTS TEAM

New facility at community center



PAULSEN ARCHITECTS TEAM

NEW FACILITY: DESIGNING FOR FUTURE EXPANSION

New facility at community center

**Community Center
designed for expansion**

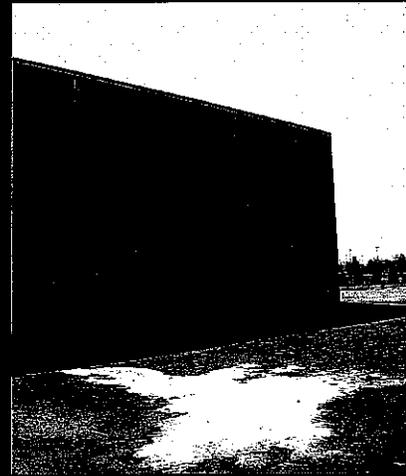
- Utilize existing Community Center amenities

**Design facility for 100
year life**

- Plan for future flexibility

**New systems designed
for specific uses**

- Lower utility cost and greater comfort



PAUSEN ARCHITECTS TEAM

NEW FACILITY: DESIGNING FOR FUTURE EXPANSION

New facility at community center

**Create a better
user/visitor experience**

- Tournament draw for greater income potential
- Better sight lines
- Upgraded amenities

**Multi-generational
facility**

- Existing Community Center allows senior/youth interaction



PAUSEN ARCHITECTS TEAM

*KEY DESIGN: Integrate Sport at after school
Relocation to Jr/High School Grounds*



P A U L S E N A R C H I T E C T S T E A M

New facility at Jr/Sr High School

School site has room for expansion

- Utilize existing school amenities/parking

Design facility for 100-year life

New systems designed for specific uses

Create a better user/visitor experience

Closest proximity to largest user base

- Reduce travel time for users and parents

Provides home ice advantage

Programming during school hours

P A U L S E N A R C H I T E C T S T E A M

Existing refrigeration

Main Rink Floor:

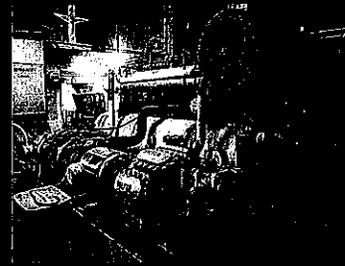
- Existing mat system is from 1995 that is placed on a sand/clay subgrade
- Roll up and store it off to the side at the end of each season
- Good ice quality
- Dasher boards are wood/Replace acrylic with temperate glass

Studio Rink:

- Existing used mat system that is in poor shape 45 x 155
- Wood dashers

Refrigeration system:

- Original chiller system, outdated controls
- Some improvement done over the years. New glycol pumps, condenser, etc.
- Carlson Stewart (local, very good refrigeration contractor) rebuilds compressors every 2 years
- Industrial grade system....just old
- Freon R22 will not be available after 2020



New refrigeration options

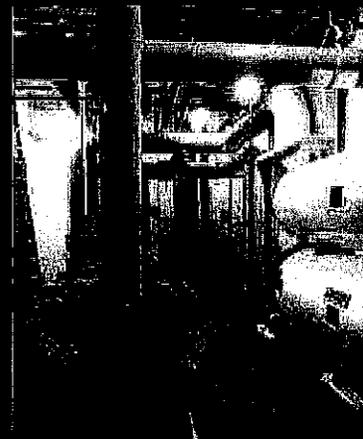
- Amonia
- CO2
- Ground Source Heat Pump/Sink
- Concrete vs. Sand
- Sub-Soil heating

Analysis of systems:

- Multiple options for heat rejection to the outdoor or heat recovery for other parts of the building
- New refrigerants unlike those being phased out

Ground source heat sink:

- Initial systems cost higher, but long term
- Waste heat from ice refrigeration can heat a pool or other parts of building



Key Features: Flexible Design

Dehumidification:

- Important for year around operation to prevent fog and maintain quality of ice

Thermal Comfort:

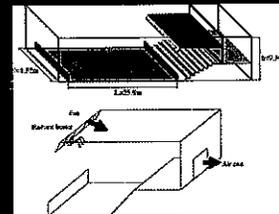
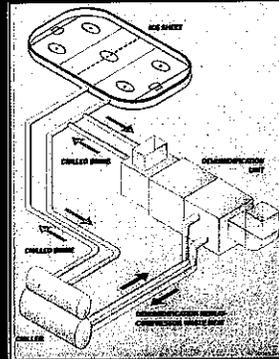
- Large spaces such as these air distribution and air stratification are a common issue- suggest the use of High Volume/Low Speed fans if not year round ice

Indoor Air Quality:

- New indoor air quality requirement from the State of MN

Electrical:

- Audio systems, adequate lighting levels, lighting control and flexible power distribution are important
- Emergency back-up power access



PAULSEN ARCHITECTS TEAM

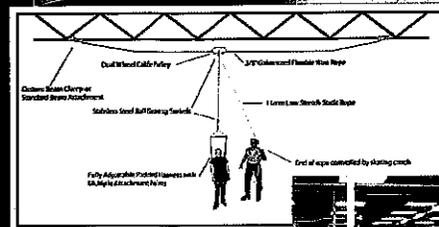
Opportunities for increased revenue

- Tournaments and hockey camps
- Hockey leagues

Better ice quality

Safety and training improvements

Performance systems for non-ice events



PAULSEN ARCHITECTS TEAM

FOR THE PROJECTS: Development of architectural programs and
Feasibility and Pre-design Studies

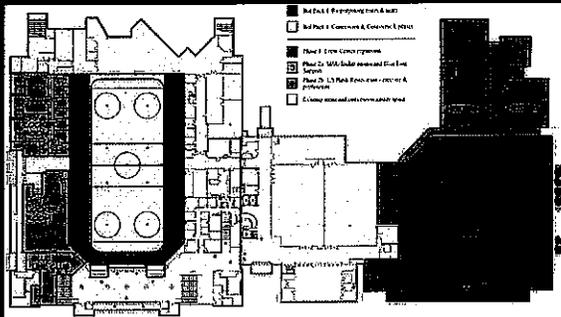


MnSCU Projects- MSU, M- New on-campus Arena,
 College of Business, and Clinical Sciences;
 South Central College renovation projects
 District 77 and 508 Schools- multiple projects
 Pagel Center, Victoria Field House, and Waconia Arena

PAULSEN ARCHITECTS - TEAM

Lobbying support for projects

Graphic support materials
 Community presentations
 Legislative meetings and presentations
 Media distribution



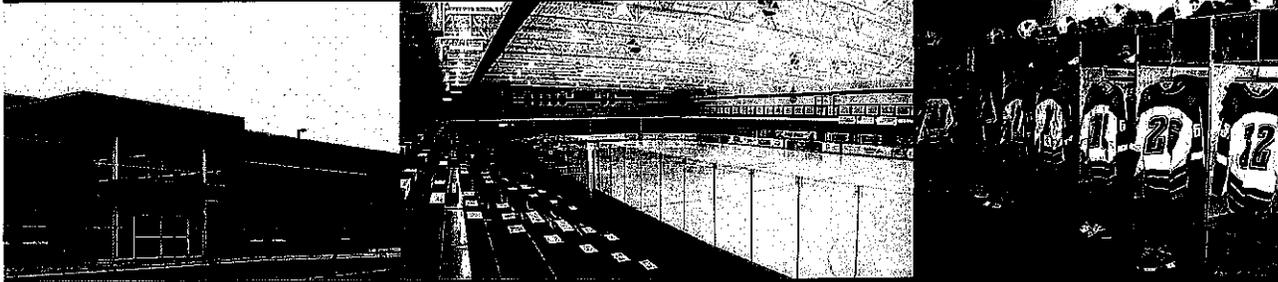
MINNESOTA STATE PARK IMPROVEMENTS
 EVENTS CENTER AND BOWLING ALLEY EXPANSION

Project Budget (2010-11)

| | |
|-------------------|--------------------|
| Construction | \$1,200,000 |
| Interior | \$1,200,000 |
| Exterior | \$1,200,000 |
| Site Work | \$1,200,000 |
| Professional Fees | \$1,200,000 |
| Contingency | \$1,200,000 |
| Total | \$6,000,000 |

PAULSEN ARCHITECTS - TEAM

Similar Arena Experience



Similar Arena Experience

Lichtscheidl Arena and Field House — Forest Lake, MN
Minnesota State University, Mankato: New Arena Planning
City of Mankato/Minnesota State University, Mankato:

- Arena renovation at Civic Center
- All Seasons Arena renovations

Vadnais Heights Sports Complex — Vadnais Heights, MN

Elk River Olympic size 2nd Arena — Elk River, MN

Shattuck St Mary's Second Sheet — Faribault, MN

Pagel Center Arena, Victoria Field House, and St Thomas Arena

PAULSEN ARCHITECTS TEAM

- **Southern Minnesota led** team that understands local values and culture
- **Substantial experience** working for numerous municipal clients and hockey associations on similar facilities
- **Nationally recognized expertise** in programming and designing ice arenas
- **Public meeting** and **bonding** experience
- **Sustainable design expertise** – 100% LEED AP Architecture staff + Interior design and CA
- **Recognized excellence** in project management, construction administration and customer service

PAULSEN ARCHITECTS TEAM

RESOLUTION #2013-

INTRODUCED:

SECONDED:

VOTED: Aye:

Nay:

Absent:

Abstained:

**CITY OF WINDOM
RESOLUTION APPROVING ELECTRIC SERVICE AGREEMENT WITH
SOUTH CENTRAL ELECTRIC ASSOCIATION (SOUTH CENTRAL)**

WHEREAS, South Central Electric Association (South Central) is an electrical cooperative providing electrical services; and

WHEREAS, the North Windom Industrial Park (NWIP) is located in the City of Windom and is also located within the established electric service territory of South Central; and

WHEREAS, South Central is eligible to apply for a federal REDLG Economic Development Loan through the United State Department of Agriculture (USDA), the proceeds would be loaned to Fast Distributing Inc. to purchase equipment for their new manufacturing facility which will be located in the NWIP; and

WHEREAS, South Central is agreeable to apply for the REDLG Loan provided that South Central retains the exclusive right to provide electric service to the NWIP in future years as provided by the "Electric Service Agreement"; and

WHEREAS, South Central and the Windom Utility Commission have negotiated an "Electric Service Agreement"; and

WHEREAS, the "Electric Service Agreement" has been approved by the Windom Utility Commission and recommended for approval by the Windom City Council.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Windom, Minnesota, as follows:

1. That the Windom City Council approves the "Electric Service Agreement" between South Central Electric Association and the City of Windom.
2. The Mayor and City Administrator are authorized to execute said agreement on behalf of the City of Windom.

Adopted by the Council this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest:

Steven Nasby, City Administrator

ELECTRIC SERVICE AGREEMENT

This Agreement dated this _____ day of _____, 2013, by and between the City of Windom, Cottonwood County, Minnesota, a municipality, first party, hereinafter referred to as 'City', and South Central Electric Association, St. James, Minnesota, an electrical cooperative, hereinafter referred to as 'South Central'.

WHEREAS, The City is a municipal corporation; and

WHEREAS, South Central is an electrical cooperative providing electrical services; and

WHEREAS, The North Windom Industrial Park, as described in Exhibit A attached hereto and made a part hereof by reference, is located in the City of Windom but is located within the established service territory of South Central; and

WHEREAS, The City and South Central previously entered into a Service Territory Agreement in 1994 with certain provisions having a term of twenty-five (25) years; and

WHEREAS, The City, through its Economic Development Authority, has contacted South Central in connection with a proposed industrial development project (the Fast Distributing Project) to be located in the North Windom Industrial Park to which South Central would construct plant and provide electric service; and

WHEREAS, South Central is eligible to apply for a federal REDLG Economic Development Loan, the proceeds of which will be loaned to the owner of the new project

(Fast Distributing) and South Central has been requested by Fast Distributing and the Windom Economic Development Authority to apply for said loan; and

WHEREAS, South Central is agreeable to apply for the REDLG Loan provided that it receives adequate assurance from the City that South Central will retain the exclusive right to provide electric service to the North Windom Industrial Park in future years as provided in this Agreement; and

WHEREAS, The parties have reached an agreement and wish to set out their agreement in writing herein.

NOW, THEREFORE, IT IS HEREBY AGREED Between the City and South Central as follows:

1. SOUTH CENTRAL TO APPLY FOR REDLG LOAN. South Central agrees to apply for the REDLG Economic Development Loan (the 'Loan') from the United States Department of Agriculture (USDA) in the amount of One Million and no/100 Dollars (\$1,000,000.00) for purposes of loaning said funds to Fast Distributing as per the REDLG Program rules and regulations for use by Fast Distributing in connection with the Fast Distributing Industrial Project located in the North Windom Industrial Park.

2. SOUTH CENTRAL'S EXCLUSIVE RIGHT TO PROVIDE ELECTRIC SERVICE. In consideration of said action by South Central, the City agrees that in the event South Central obtains the Loan referred to in Paragraph 1 above from USDA and the Loan is made to Fast Distributing, the City hereby grants to South Central the exclusive right to provide electrical service to all of the North Windom Industrial Park for the term set out in this Agreement.

3. TERM. The term of this Agreement shall be for a period of fifteen (15) years from January 1, 2014, or until South Central is no longer liable for any amounts on any current or future REDLG or similar program economic development loans made to development projects located in the North Windom Industrial Park, whichever occurs later.

4. 1994 STANDSTILL AGREEMENT. This Agreement supercedes the 1994 Standstill Agreement, whose term expires in 2019, between the City and South Central only to the extent of this Agreement's application to the North Windom Industrial Park and specifically applies only to the lands which are currently located in the North Windom Industrial Park as described in Exhibit A attached hereto, and shall not be construed as an amendment or extension of the 1994 Standstill Agreement except to the limited extent as provided herein with regard to the North Windom Industrial Park property.

5. A copy of this Agreement may be filed with the Public Utilities Commission by either party.

6. MEDIATION. The parties agreed that in the event of a dispute arising between them regarding any provision of this Agreement, the parties will attempt to resolve the issue by mediation prior to either party commencing any other type of legal action or remedy.

7. PROVISIONS OF AGREEMENT SEVERABLE. It is agreed that each provision of this Agreement shall be considered to be a separate and severable agreement of the parties and in the event that any provision of this agreement is determined to be void, invalid or otherwise non-enforceable by court of law or otherwise, in that event, the

entire Agreement shall not be rendered null void and the balance of the provisions not so affected shall remain in effect and binding upon the parties for the term of the various agreements as set out herein.

Dated the day and year first written above.

CITY OF WINDOM

By _____
Its _____

ATTEST:

SOUTH CENTRAL ELECTRIC ASSOCIATION

By _____
Its _____

STATE OF MINNESOTA)
) SS
COUNTY OF _____)

On this _____ day of _____, 2013, before me, a Notary Public within and for said County, personally appeared _____ and _____ to me personally known, who, being each by me duly sworn they did say that they are respectively the _____ and _____ of the City of Windom, Cottonwood County, Minnesota the municipal corporation named in the

MEMORANDUM



CITY OF WINDOM
444 9th Street
Windom, MN 56101
Phone: 507-831-6129
Fax: 507-831-6127
www.windom-mn.com

TO: City Council
FROM: Personnel Committee
DATE: April 30, 2013
RE: Recommendations to City Council

The Personnel Committee met on April 24, 2013 and April 29, 2013 to discuss several items. The following are the recommendations from the Personnel Committee to the City Council.

Streets & Parks Department

Shane Soleta is resigning his position in the Department effective May 16, 2013. The Personnel Committee is recommending that the position be re-filled with an emphasis on parks maintenance.

Water\Wastewater Department

The City Council had previously approved to hire a position in this Department to replace Kevin Stevens, who will be retiring in June. The position was advertised and 22 applications were received. The strong field yielded three candidates that were interviewed. The recommendation from the Water\Wastewater Department is to offer the position to Ryan Anderson. The Utility Commission was informed and concurred with the recommendation from the Water\Wastewater Superintendent that Mr. Anderson be offered the position and that the starting salary would be Grade 7, Step 8 due to his experience in the field. One other aspect of the offer is that Mr. Anderson lives within a reasonable response time area. After researching surrounding areas response times, the Water\Wastewater Superintendent recommended setting the reasonable response time at 30 minutes and the Utility Commission agreed.

Response Time Policy

Currently the City does not have a written response time policy for its departments responding to emergency services or on-call events. The Personnel Committee and Utility Commission have both discussed this matter as well as invited impacted Department Heads for their input. Having an established policy would assist in the hiring process. The Personnel Committee requested that each department determine a defined response time based on their department needs.

School Resource Officer (SRO)

The City has been in discussions with the Windom Area School District about establishing an SRO. This position would be shared with the school having about 69% of the time and City 31%. Funding for the position would be split accordingly. The proposed costs are shown on the attached sheet. At this time the intent is to assign the veteran officer doing the DARE program to be the SRO and then back-fill the vacant position in the Windom Police Department with a new officer. Examples of SRO agreements from other communities are being reviewed so if this is approved an agreement between the School and City will be developed for your future consideration. Intent of both parties is to have the SRO in place for the start of the 2013-2014 school year.

This is a proposal drafted from discussions with the Windom PD and Windom School Superintendent. The figures below are based on an 8 hr. work day at the Windom Schools and a 10 hr. day at the Windom Police Department. An Agreement or MOU would need to be created to determine exact duties, outline work schedule assignments, etc. The LELS union will also need to be included prior to any agreement as the SRO position will be unique. Anticipated 2 or 3 year agreement with all parties.

2080 Hours Total

1440 Hours at the School (180 Days)

640 Hours at the Police Department (64 Days)

69% of hours at the School

31% of hours at the Police Department

Projected 2014 Salary Cost=\$43,180.80

Projected Cost of Salary and Benefits=\$ 67,746.77

City of Windom 35% share= \$23,746.77. School District Commitment = \$44,000 Total

Windom Schools will pay for any overtime they request of the SRO and pay the OT rate plus 20% in benefits\payroll taxes (FICA, PERA, etc.)

Estimated equipment costs for a new officer: Funding split 69% School and 31% City

\$550.00 New Glock Service Weapon

\$1,000 New Taser

\$900.00 New Bulletproof Vest (can be reimbursed through State and Federal Grants)

\$2,500.00 New Portable Radio

\$2,500.00 Laptop Computer

\$500.00 Annual Training Costs

\$6,000 Purchase of Used Windom PD Car

ORDINANCE NO. 141, 2ND SERIES

AN ORDINANCE OF THE CITY OF WINDOM, MINNESOTA, RENAMING A CITY STREET IN THE NORTH WINDOM INDUSTRIAL PARK SUBDIVISION

**TABLE OF SPECIAL ORDINANCES
TABLE IX: NAMING CITY STREETS**

**THE CITY COUNCIL OF THE CITY OF WINDOM, MINNESOTA, DOES ORDAIN:
TO RENAME A CITY STREET IN NORTH WINDOM INDUSTRIAL PARK
SUBDIVISION AS FOLLOWS:**

(A) That the roadway named "410th Street" in North Windom Industrial Park Subdivision in the City of Windom, Cottonwood County, Minnesota is hereby renamed "Opportunity Drive".

(B) All other roadway designations in North Windom Industrial Park Subdivision shall remain as platted and shown in Document No. 243962 of the records of the Cottonwood County Recorder's Office.

EFFECTIVE DATE OF ORDINANCE. This ordinance shall become effective from and after its passage and publication.

Adopted by the City Council of the City of Windom, Minnesota, this 7th day of May, 2013.

Corey J. Maricle, Mayor

Attest: _____
Steve Nasby, City Administrator

1st Reading: April 16, 2013
2nd Reading: May 7, 2013
Adoption: May 7, 2013
Published: May 15, 2013

ELECTRONIC DISBURSEMENTS

| Date | Vendor | Amount | Description |
|-----------|--------------------------|-----------------|-----------------------|
| 4/3/2013 | Fulda Credit Union | \$ (3,360.00) | EDA Loan Payment |
| 4/4/2013 | Citistreet MN | \$ (5,375.00) | Deferred Compensation |
| 4/4/2013 | MII FSA | \$ (60.73) | Flex Spending |
| 4/4/2013 | MN Department of Revenue | \$ (35,072.00) | Sales Tax |
| 4/5/2013 | Cardmember Services | \$ (1,164.71) | Credit Card Payment |
| 4/5/2013 | Payroll | \$ (66,637.33) | Net Pay |
| 4/5/2013 | PERA | \$ (16,089.17) | PERA Payment |
| 4/5/2013 | USA Tax Payment | \$ (22,646.43) | Federal Payroll Tax |
| 4/8/2013 | MN Department of Revenue | \$ (4,361.11) | State Tax Withholding |
| 4/11/2013 | MII FSA | \$ (394.29) | Flex Spending |
| 4/12/2013 | MII VEBA | \$ (10,077.37) | VEBA Contribution |
| 4/15/2013 | Liquor Credit Card Fees | \$ (1,457.93) | Credit Card Fees |
| | | \$ (166,696.07) | |

ELECTRONIC DISBURSEMENTS

| Date | Vendor | Amount | Description |
|-------------|--------------------------|-----------------|-----------------------|
| 4/18/2013 | MII FSA | \$ (136.95) | Flex Spending |
| 4/19/2013 | Payroll | \$ (71,962.39) | Net Pay |
| 4/19/2013 | PERA | \$ (17,385.20) | PERA Payment |
| 4/19/2013 | USA Tax Payment | \$ (24,634.47) | Federal Payroll Tax |
| 4/22/2013 | Auto Pay Correction | \$ (61.91) | Auto Pay Correction |
| 4/22/2013 | Citistreet MN | \$ (5,400.00) | Deferred Compensation |
| 4/22/2013 | BCBS Insurance | \$ (42,735.50) | Insurance Premium |
| 4/22/2013 | MN Department of Revenue | \$ (4,768.71) | State Tax Withholding |
| 4/25/2013 | MII FSA | \$ (308.29) | Flex Spending |
| 4/30/2013 | USA Tax Payment | \$ (721.26) | Excise Tax |
| 4/30/2013 | Liquor Credit Card Fees | \$ (22.17) | Credit Card Fees |
| | | \$ (168,136.85) | |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|--------------------------|--------------------------|------------|
| MAYOR & COUNCIL | CONVENT. & VISTOR BU | LODGING TAX | 1,543.91 |
| | Total for Department 101 | | 1,543.91* |
| CITY OFFICE | INDOFF, INC | SUPPLIES | 145.10 |
| CITY OFFICE | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 284.70 |
| | Total for Department 103 | | 429.80* |
| P & Z / BUILDING OFF | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 50.65 |
| | Total for Department 106 | | 50.65* |
| CITY HALL | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 574.04 |
| | Total for Department 115 | | 574.04* |
| POLICE | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 275.00 |
| POLICE | COTTONWOOD CO TREASU | RENT | 1,650.00 |
| POLICE | INDOFF, INC | SUPPLIES | 8.97 |
| POLICE | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 69.19 |
| POLICE | ALPHA WIRELESS - MAN | RADIO MAINTENANCE | 300.00 |
| POLICE | DANA WALLACE | EXPENSE | 118.56 |
| | Total for Department 120 | | 2,421.72* |
| FIRE DEPARTMENT | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 212.50 |
| FIRE DEPARTMENT | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 28.28 |
| FIRE DEPARTMENT | HARTBERG MEDICAL CLI | TESTING | 261.00 |
| FIRE DEPARTMENT | HEIMAN FIRE EQUIP. C | EQUIPMENT | 15.95 |
| FIRE DEPARTMENT | SOUTH CENTRAL COLLEG | TRAINING | 120.00 |
| | Total for Department 125 | | 637.73* |
| EMERGENCY MANAGEMENT | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 12.50 |
| EMERGENCY MANAGEMENT | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 18.36 |
| | Total for Department 130 | | 30.86* |
| STREET | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 125.00 |
| STREET | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 3,200.01 |
| STREET | MACQUEEN EQUIP. CO. | EQUIPMENT | 3,631.51 |
| STREET | O'REILLY AUTOMOTIVE, | MAINTENANCE | 11.21 |
| STREET | SOUTHERN MINN CONSTR | SUPPLIES | 1,571.06 |
| STREET | COUNTRY PRIDE SERVIC | MAINTENANCE / FUEL | 1,118.98 |
| | Total for Department 140 | | 9,657.77* |
| PARKS | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 37.50 |
| PARKS | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 30.83 |
| PARKS | M-R SIGNS CO., INC | SUPPLIES | 195.93 |
| | Total for Department 165 | | 264.26* |
| | Total for Fund 01 | | 15,610.74* |
| LIBRARY | AMAZON / GECRB | BOOKS | 48.73 |
| LIBRARY | CENTER POINT LARGE P | BOOKS | 43.74 |
| LIBRARY | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 291.31 |
| LIBRARY | SPORTS ILLUSTRATED | SUBSCRIPTION | 89.04 |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|----------------------|--------------------------|------------|
| LIBRARY | WINDOM COMMUNITY EDU | COMMUNITY ED BROCHURE | 53.00 |
| LIBRARY | DO IT YOURSELF MAGAZ | SUBSCRIPTION | 19.97 |
| LIBRARY | QUILTER MAGAZINE | SUBSCRIPTION | 24.97 |
| | | Total for Department 171 | 570.76* |
| | | Total for Fund 03 | 570.76* |
| | WILLIAMSON'S WELDING | CIP SHOP TOOLS | 908.43 |
| | | Total for Department | 908.43* |
| | | Total for Fund 04 | 908.43* |
| | EMPIRE BUILDING CONS | 2012 LARGE AIRCRAFT HANG | 58,170.21 |
| | TKDA ENGINEERS | HANGAR-DESIGN/CONSTR | 1,487.50 |
| | TKDA ENGINEERS | JET FUEL INSTALLATION | 1,300.00 |
| | | Total for Department | 60,957.71* |
| | | Total for Fund 11 | 60,957.71* |
| AMBULANCE | BOUND TREE MEDICAL, | SUPPLIES | 74.13 |
| AMBULANCE | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 200.00 |
| AMBULANCE | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 25.04 |
| AMBULANCE | TIM HACKER | EXPENSE | 88.84 |
| AMBULANCE | KIM POWERS | EXPENSE | 23.91 |
| AMBULANCE | WINDOM AREA HOSPITAL | SERVICE | 683.10 |
| | | Total for Department 176 | 1,095.02* |
| | | Total for Fund 13 | 1,095.02* |
| MULTI-PURPOSE BUILDI | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 1,223.51 |
| | | Total for Department 177 | 1,223.51* |
| | | Total for Fund 14 | 1,223.51* |
| SCDP | SW MN HOUSING PARTNE | CDAP-10-0058-O-FY11 | 6,215.00 |
| | | Total for Department 163 | 6,215.00* |
| | | Total for Fund 17 | 6,215.00* |
| LIQUOR | ENVIROMASTER, INC. | CLEANING | 40.88 |
| LIQUOR | BEVERAGE WHOLESALERS | MERCHANDISE | 4,475.19 |
| LIQUOR | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 823.66 |
| LIQUOR | WIRTZ BEVERAGE MN WI | MERCHANDISE | 1,802.36 |
| LIQUOR | HAGEN BEVERAGE DIST. | MERCHANDISE | 2,701.20 |
| LIQUOR | JOHNSON BROS. | MERCHANDISE | 6,038.25 |
| LIQUOR | PHILLIPS WINE & SPIR | CREDIT - MERCHANDISE | -5.32 |
| LIQUOR | PHILLIPS WINE & SPIR | MERCHANDISE | 1,128.01 |
| LIQUOR | AMERICAN BOTTLING CO | MERCHANDISE | 105.58 |
| LIQUOR | TOTAL REGISTER SYSTE | SUPPLIES | 36.60 |
| LIQUOR | VINOCOPIA, INC | MERCHANDISE | 382.00 |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|---|----------------------|--------------------------|------------|
| Total for Department 180 | | | 17,528.41* |
| Total for Fund 60 | | | 17,528.41* |
| WATER | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 100.00 |
| WATER | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 3,737.62 |
| WATER | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 130.30 |
| WATER | SOURCE ONE SOLUTIONS | POSTAGE | 231.62 |
| WATER | SOURCE ONE SOLUTIONS | UTILITY BILL SERVICES | 873.65 |
| WATER | MN DEPT OF HEALTH | MAINTENANCE - PERMIT | 50.00 |
| WATER | PALEN/KIMBALL, LLC | MAINTENANCE | 2,970.44 |
| Total for Department 181 | | | 8,093.63* |
| Total for Fund 61 | | | 8,093.63* |
| BORDER STATES ELECTR PARTS | | | 131.58 |
| TELECOM FUND MONTHLY TRANSFERS-APRIL' | | | 28.11 |
| TRUCK UTILITIES, INC NEW ELECTRIC BUCKET TRUC | | | 77,964.24 |
| Total for Department | | | 78,123.93* |
| ELECTRIC | MICHAEL BREGEL | SAFETY EXPENSE | 50.00 |
| ELECTRIC | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 187.50 |
| ELECTRIC | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 434.31 |
| ELECTRIC | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 130.29 |
| ELECTRIC | SOURCE ONE SOLUTIONS | POSTAGE | 231.62 |
| ELECTRIC | SOURCE ONE SOLUTIONS | UTILITY BILL SERVICES | 1,801.91 |
| ELECTRIC | O'REILLY AUTOMOTIVE, | MAINTENANCE | 108.65 |
| ELECTRIC | WINDOM AREA SCHOOLS | ADVERTISING FOR ROBOTICS | 500.00 |
| Total for Department 182 | | | 3,444.28* |
| Total for Fund 62 | | | 81,568.21* |
| SEWER | CONTINENTAL RESEACH | SUPPLIES | 133.95 |
| SEWER | COTTONWOOD CO TREASU | MARCH 2013 DISPATCHING | 100.00 |
| SEWER | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 14,603.51 |
| SEWER | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 130.29 |
| SEWER | SOURCE ONE SOLUTIONS | POSTAGE | 231.62 |
| SEWER | SOURCE ONE SOLUTIONS | UTILITY BILL SERVICES | 873.65 |
| SEWER | MN VALLEY TESTING | TESTING | 847.60 |
| SEWER | USA BLUE BOOK | TESTING | 879.39 |
| SEWER | VESSCO INC. | MAINTENANCE | 750.42 |
| Total for Department 183 | | | 18,550.43* |
| Total for Fund 63 | | | 18,550.43* |
| ARENA | AMERIPRIDE SERVICES, | SUPPLIES | 102.22 |
| ARENA | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 7,535.57 |
| ARENA | JUSTIN ESPENSON | EXPENSE | 171.20 |
| Total for Department 184 | | | 7,808.99* |

CITY OF WINDOM
 FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|--------------------------|----------------------|--------------------------|-------------|
| Total for Fund 64 | | | 7,808.99* |
| ECONOMIC DEVELOPMENT | EHLERS & ASSOC., INC | TIF ESTABLISHMENT | 4,500.00 |
| ECONOMIC DEVELOPMENT | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 71.74 |
| ECONOMIC DEVELOPMENT | WINDOM AREA SCHOOLS | ADVERTISING FOR ROBOTICS | 250.00 |
| Total for Department 187 | | | 4,821.74* |
| Total for Fund 67 | | | 4,821.74* |
| | ELECTRIC FUND | MONTHLY TRANSFERS-APRIL' | 198.57 |
| | ANNA MAE HUTCHINS | REFUND-STATEMENT CREDIT | 19.46 |
| | RUSSELL & MARTHA GOE | REFUND-STATEMENT CREDIT | 29.52 |
| Total for Department | | | 247.55* |
| TELECOMMUNICATIONS | ELECTRIC FUND | APRIL UTILITY/TEL BILLIN | 1,904.67 |
| TELECOMMUNICATIONS | GOLDEN WEST TECH & I | SUPPORT SERVICE | 15.90 |
| TELECOMMUNICATIONS | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 390.87 |
| TELECOMMUNICATIONS | HUBBARD BROADCASTING | SUBSCRIBER | 1,117.58 |
| TELECOMMUNICATIONS | SOURCE ONE SOLUTIONS | POSTAGE | 231.61 |
| TELECOMMUNICATIONS | SOURCE ONE SOLUTIONS | UTILITY BILL SERVICES | 1,911.10 |
| TELECOMMUNICATIONS | MODERN ENTERPRISE SO | EQUIPMENT | 2,983.76 |
| TELECOMMUNICATIONS | CENTURYLINK | SERVICE | 74.57 |
| TELECOMMUNICATIONS | CENTURY LINK | LEXIS BILLING SERVICE | 248.61 |
| TELECOMMUNICATIONS | WINDOM AREA SCHOOLS | ADVERTISING FOR ROBOTICS | 250.00 |
| Total for Department 199 | | | 9,128.67* |
| Total for Fund 69 | | | 9,376.22* |
| | COLLECTION SERVICES | #CDDM013726 | 930.23 |
| Total for Department | | | 930.23* |
| Total for Fund 70 | | | 930.23* |
| Grand Total | | | 235,259.03* |

*Matches
 Check run
 report
 4-18-13
 JH*

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|-----------------|----------------------|--------------------------|-----------|
| MAYOR & COUNCIL | CITIZEN PUBLISHING C | ADVERTISING | 147.90 |
| | | Total for Department 101 | 147.90* |
| CITY OFFICE | CHELSIE CARLSON | RE-ISSUE- LOST CHK #1390 | 58.22 |
| CITY OFFICE | ERICKSON OIL CO | | 21.07 |
| | | Total for Department 103 | 79.29* |
| CITY HALL | AMERIGAS PROPANE L.P | WATER TREATMENT | 23.46 |
| CITY HALL | HOMETOWN SANITATION | GARBAGE SERVICE | 85.04 |
| CITY HALL | JOE'S LAWN CARE | SERVICE | 80.15 |
| CITY HALL | MN ENERGY RESOURCES | HEATING SERVICE | 1,056.07 |
| | | Total for Department 115 | 1,244.72* |
| POLICE | INDOFF, INC | SUPPLIES | 125.96 |
| POLICE | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| POLICE | Verizon Wireless | SERVICE FOR LAP TOPS | 78.06 |
| | | Total for Department 120 | 273.02* |
| FIRE DEPARTMENT | INDOFF, INC | SUPPLIES | 39.30 |
| FIRE DEPARTMENT | HEIMAN FIRE EQUIP. C | EQUIPMENT | 583.65 |
| FIRE DEPARTMENT | HY-VEE FOOD STORE | MERCHANDISE | 48.02 |
| FIRE DEPARTMENT | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| FIRE DEPARTMENT | Verizon Wireless | SERVICE FOR LAP TOPS | 127.07 |
| FIRE DEPARTMENT | SANFORD HEALTH | TESTING | 260.52 |
| FIRE DEPARTMENT | WINDOM FAMILY MEDICA | TESTING | 860.00 |
| FIRE DEPARTMENT | MN FIRE CHIEF ASSOCI | RE-ISSUE-LOST CHK #13383 | 50.00 |
| | | Total for Department 125 | 2,037.56* |
| STREET | ERICKSON OIL CO | | 1,763.29 |
| STREET | HOMETOWN SANITATION | GARBAGE SERVICE | 130.85 |
| STREET | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| STREET | MN ENERGY RESOURCES | HEATING SERVICE | 882.50 |
| | | Total for Department 140 | 2,845.64* |
| RECREATION | RYAN VESEY | RE-ISSUE-LOST CHK #13679 | 25.00 |
| | | Total for Department 150 | 25.00* |
| PARKS | CITIZEN PUBLISHING C | ADVERTISING | 252.50 |
| PARKS | COLE PAPERS INC. | SUPPLIES | 1,106.94 |
| PARKS | GOPHER | EQUIPMENT | 199.93 |
| PARKS | MTI DISTRIBUTING, IN | MAINTENANCE | 57.85 |
| | | Total for Department 165 | 1,617.22* |
| | | Total for Fund 01 | 8,270.35* |
| LIBRARY | INDOFF, INC | SUPPLIES | 38.50 |
| LIBRARY | DEMCO | SUPPLIES | 308.09 |
| LIBRARY | INGRAM | BOOKS | 1,121.62 |
| LIBRARY | JOE'S LAWN CARE | SERVICE | 80.16 |
| LIBRARY | THE NEW YORK TIMES | SUBSCRIPTION | 426.40 |
| LIBRARY | MN ENERGY RESOURCES | SERVICE | 781.46 |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|----------------------|--------------------------|-----------|
| | | Total for Department 171 | 2,756.23* |
| | | Total for Fund 03 | 2,756.23* |
| | CITIZEN PUBLISHING C | COMPUTERS | 2,216.81 |
| | | Total for Department | 2,216.81* |
| | | Total for Fund 04 | 2,216.81* |
| AIRPORT | SOUTHWEST MN BROADBA | PHONE SERVICE | 4.14 |
| | | Total for Department 174 | 4.14* |
| | | Total for Fund 11 | 4.14* |
| POOL | CITIZEN PUBLISHING C | ADVERTISING | 318.14 |
| | | Total for Department 175 | 318.14* |
| | | Total for Fund 12 | 318.14* |
| AMBULANCE | ALPHA WIRELESS - MAN | ANNUAL MAINTENANCE | 1,089.00 |
| AMBULANCE | Verizon Wireless | SERVICE FOR LAP TOPS | 78.06 |
| AMBULANCE | JOLYNN NERHUS | RE-ISSUE-LOST CHK #13614 | 37.46 |
| AMBULANCE | POSITIVE PROMOTIONS, | SUPPLIES-ADVERTISING | 552.17 |
| | | Total for Department 176 | 1,756.69* |
| | | Total for Fund 13 | 1,756.69* |
| MULTI-PURPOSE BUILDI | CITIZEN PUBLISHING C | ADVERTISING | 930.00 |
| MULTI-PURPOSE BUILDI | COLE PAPERS INC. | SUPPLIES | 545.68 |
| MULTI-PURPOSE BUILDI | HOMETOWN SANITATION | GARBAGE SERVICE | 103.04 |
| MULTI-PURPOSE BUILDI | HY-VEE FOOD STORE | MERCHANDISE | 155.19 |
| | | Total for Department 177 | 1,733.91* |
| | | Total for Fund 14 | 1,733.91* |
| N IND PARK | WENCK ASSOCIATES, IN | ENGINEERING-NORTH INDUST | 4,228.63 |
| | | Total for Department 147 | 4,228.63* |
| | | Total for Fund 18 | 4,228.63* |
| '13 STREET PROJECT | WENCK ASSOCIATES, IN | ENGINEERING-2013 ST IMPR | 8,023.80 |
| | | Total for Department 121 | 8,023.80* |
| | | Total for Fund 21 | 8,023.80* |
| LIQUOR | BEVERAGE WHOLESALERS | MERCHANDISE | 4,723.85 |
| LIQUOR | CITIZEN PUBLISHING C | ADVERTISING | 554.90 |
| LIQUOR | COLLINS BROTHERS, IN | RE-ISSUE-LOST CHK #13712 | 112.87 |
| LIQUOR | HAGEN BEVERAGE DIST. | MERCHANDISE | 6,373.90 |
| LIQUOR | AH HERMEL COMPANY | MERCHANDISE | 354.68 |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|------------|-----------------------|--------------------------|-------------|
| LIQUOR | HOMETOWN SANITATION | GARBAGE SERVICE | 48.06 |
| LIQUOR | JOHNSON BROS. | MERCHANDISE | 3,624.88 |
| LIQUOR | PBC - PEPSI BEVERAGE | MERCHANDISE | 248.75 |
| LIQUOR | PHILLIPS WINE & SPIR | CREDIT-MERCHANDISE | -136.24 |
| LIQUOR | PHILLIPS WINE & SPIR | MERCHANDISE | 380.50 |
| LIQUOR | SCHWAAB, INC | EQUIPMENT | 37.38 |
| LIQUOR | SOUTHERN WINE & SPIR | MERCHANDISE | 1,308.99 |
| LIQUOR | CAMPUS CLEANERS | SERVICE | 40.10 |
| | | Total for Department 180 | 17,672.62* |
| | | Total for Fund 60 | 17,672.62* |
| | HD SUPPLY WATERWORKD | METERS | 315.08 |
| | WENCK ASSOCIATES, IN | 2012 STREET,6TH ST & RIV | 2,464.50 |
| | WENCK ASSOCIATES, IN | ENGINEERING-2013 ST IMPR | 3,720.12 |
| | | Total for Department | 6,499.70* |
| WATER | CITIZEN PUBLISHING C | ADVERTISING | 263.48 |
| WATER | HAWKINS, INC | CHEMICALS | 261.69 |
| WATER | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 253.13 |
| WATER | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| | | Total for Department 181 | 847.30* |
| | | Total for Fund 61 | 7,347.00* |
| | UTILITIES PLUS ENERG | NESMAP PROJECT-RICE | 4,300.00 |
| | HARMONY CLARK | RE-ISSUE-LOST CHK #13690 | 125.26 |
| | JAMES AMUNDSON | REFUND-UTILITY PREPAYMEN | 300.00 |
| | | Total for Department | 4,725.26* |
| ELECTRIC | AG BUILDER OF SOUTHE | SERVICE | 700.00 |
| ELECTRIC | AMERICAN PUBLIC POWE | APPA ANNUAL DUES | 3,109.11 |
| ELECTRIC | AMERICAN PUBLIC POWE | DEED ANNUAL DUES | 565.29 |
| ELECTRIC | CENTRAL MINNESOTA MU | MONTHLY ASSESSMENT | 3,184.00 |
| ELECTRIC | CENTRAL MINNESOTA MU | POWER COST | 257,896.22 |
| ELECTRIC | ERICKSON OIL CO | | 290.39 |
| ELECTRIC | GOPHER STATE ONE CAL | LOCATES | 2.90 |
| ELECTRIC | HOMETOWN SANITATION | GARBAGE SERVICE | 84.75 |
| ELECTRIC | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 253.12 |
| ELECTRIC | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| ELECTRIC | OVERHEAD DOOR COMPAN | REPAIR | 1,473.00 |
| ELECTRIC | RON'S ELECTRIC INC | MAINTENANCE | 5.38 |
| ELECTRIC | DEPARTMENT OF ENERGY | POWER COST | 81,794.00 |
| ELECTRIC | BANK MIDWEST | NSF - UTILITIES | 265.51 |
| ELECTRIC | FLAGSHOOTER LLC | SUPPLIES | 336.81 |
| ELECTRIC | FIRST UNITED METHODDI | RETROFIT REBATE | 336.00 |
| | | Total for Department 182 | 350,365.48* |
| | | Total for Fund 62 | 355,090.74* |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|----------------------|---------------------------|-----------|
| | WENCK ASSOCIATES, IN | 2012 STREET, 6TH ST & RIV | 1,643.00 |
| | WENCK ASSOCIATES, IN | ENGINEERING-2013 ST IMPR | 2,844.80 |
| | | Total for Department | 4,487.80* |
| SEWER | CITIZEN PUBLISHING C | ADVERTISING | 159.08 |
| SEWER | INDOFF, INC | SUPPLIES | 24.57 |
| SEWER | HOMETOWN SANITATION | GARBAGE SERVICE | 85.04 |
| SEWER | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 253.12 |
| SEWER | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| SEWER | MN VALLEY TESTING | TESTING | 417.20 |
| SEWER | DUANE W. NIELSEN COM | SERVICE | 588.60 |
| SEWER | MN ENERGY RESOURCES | HEATING SERVICE | 844.26 |
| SEWER | SUPERIOR LAMP & SUPP | EQUIPMENT | 539.80 |
| | | Total for Department 183 | 2,980.67* |
| | | Total for Fund 63 | 7,468.47* |
| ARENA | INDOFF, INC | SUPPLIES | 40.08 |
| ARENA | HOMETOWN SANITATION | GARBAGE SERVICE | 130.88 |
| ARENA | LARSON SHARPENING SE | SERVICE | 256.00 |
| ARENA | RAGGED GLORY SPORTSW | SIGNS | 85.60 |
| | | Total for Department 184 | 512.56* |
| | | Total for Fund 64 | 512.56* |
| ECONOMIC DEVELOPMENT | CITIZEN PUBLISHING C | ADVERTISING | 159.50 |
| ECONOMIC DEVELOPMENT | HY-VEE FOOD STORE | MERCHANDISE | 44.76 |
| ECONOMIC DEVELOPMENT | SUBWAY | MEETING EXPENSE | 42.32 |
| | | Total for Department 187 | 246.58* |
| | | Total for Fund 67 | 246.58* |
| TELECOMMUNICATIONS | BBC WORLDWIDE AMERIC | SUBSCRIBER | 74.46 |
| TELECOMMUNICATIONS | DISCOVERY DIGITAL NE | SUBSCRIBER | 130.76 |
| TELECOMMUNICATIONS | DISH NETWORK | SERVICE | 3,400.00 |
| TELECOMMUNICATIONS | DISPLAY SYSTEMS INTE | SERVICE | 163.88 |
| TELECOMMUNICATIONS | GODFATHER'S PIZZA | MEETING EXPENSE | 29.90 |
| TELECOMMUNICATIONS | HOMETOWN SANITATION | GARBAGE SERVICE | 73.92 |
| TELECOMMUNICATIONS | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 253.13 |
| TELECOMMUNICATIONS | HUB TELEVISION NETWO | SUBSCRIBER | 33.73 |
| TELECOMMUNICATIONS | KARE GANNETT CO., IN | SUBSCRIBER | 2,352.00 |
| TELECOMMUNICATIONS | LEAGUE OF MN CITIES | WORK COMP PREMIUM ADJ | 69.00 |
| TELECOMMUNICATIONS | NATIONAL CABLE TV CO | EQUIPMENT | 3,166.04 |
| TELECOMMUNICATIONS | NATIONAL CABLE TV CO | SMBS EQUIPMENT | 7,567.70 |
| TELECOMMUNICATIONS | NEW STAR SALES & SER | COPIER MAINTENANCE | 35.00 |
| TELECOMMUNICATIONS | ONVOY VOICE SERVICES | SS7 SERVICE | 1,256.34 |
| TELECOMMUNICATIONS | ONVOY VOICE SERVICES | SWITCHING SERVICE | 2,935.53 |
| TELECOMMUNICATIONS | OWN | SUBSCRIBER | 70.08 |
| TELECOMMUNICATIONS | MN ENERGY RESOURCES | SERVICE | 70.84 |
| TELECOMMUNICATIONS | TECHNOLOGY PLANNERS, | SERVICE | 1,020.00 |

CITY OF WINDOM
 FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|--------------------|--------------------------|-------------------|-------------|
| TELECOMMUNICATIONS | TOWER DISTRIBUTION C | SUBSCRIBER | 518.56 |
| TELECOMMUNICATIONS | BANK MIDWEST | NSF - TELECOM | 56.54 |
| TELECOMMUNICATIONS | ZAYO BANDWIDTH | SERVICE | 3,378.20 |
| TELECOMMUNICATIONS | COGENT COMMUNICATION | SERVICE | 1,750.00 |
| | Total for Department 199 | | 28,405.61* |
| | Total for Fund 69 | | 28,405.61* |
| | AFLAC | INSURANCE | 476.06 |
| | LAW ENFORCMENT LABOR | POLICE UNION DUES | 270.00 |
| | LOCAL UNION #949 | UNION DUES | 1,593.52 |
| | MN BENEFIT ASSOCIATI | INSURANCE | 244.32 |
| | Total for Department | | 2,583.90* |
| | Total for Fund 70 | | 2,583.90* |
| | Grand Total | | 448,636.18* |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|--------------------------|-------------------------|------------|
| MAYOR & COUNCIL | COMMUNITY CENTER | MEMORIAL DAY PROGRAM | 300.00 |
| | Total for Department 101 | | 300.00* |
| CITY OFFICE | INDOFF, INC | SUPPLIES | 29.48 |
| CITY OFFICE | LEAGUE OF MN CITIES | REGISTRATION-ANNUAL CON | 295.00 |
| CITY OFFICE | NCPERS MINNESOTA | INSURANCE 844600 | 80.00 |
| CITY OFFICE | SECR REV FUND/CITY O | PETTY CASH | 26.02 |
| | Total for Department 103 | | 430.50* |
| P & Z / BUILDING OFF | CENTURY BUSINESS PRO | COPIER MAINTENANCE | 35.43 |
| P & Z / BUILDING OFF | INDOFF, INC | SUPPLIES | 23.50 |
| P & Z / BUILDING OFF | NCPERS MINNESOTA | INSURANCE 844600 | 24.00 |
| | Total for Department 106 | | 82.93* |
| CITY HALL | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 96.00 |
| CITY HALL | SANDRA HERDER | CLEANING | 353.35 |
| CITY HALL | JAY KUEHL | SNOW REMOVAL | 90.00 |
| CITY HALL | MELISSA PENAS | CLEANING | 353.35 |
| | Total for Department 115 | | 892.70* |
| POLICE | INDOFF, INC | SUPPLIES | 36.82 |
| POLICE | GRAFIX SHOPPE | DETAILING | 610.00 |
| POLICE | CORY HILLESHEIM | EQUIPMENT REIMBURSEMENT | 72.12 |
| POLICE | NCPERS MINNESOTA | INSURANCE 844600 | 144.00 |
| POLICE | SECR REV FUND/CITY O | PETTY CASH | 111.50 |
| POLICE | FLEET SERVICES DIVIS | VEHICLE LEASE | 1,979.35 |
| POLICE | WINDOM AREA HOSPITAL | MEDICAL TESTING | 40.00 |
| POLICE | ST PAUL POLICE DEPT | TRAINING-REGISTRATION | 445.00 |
| | Total for Department 120 | | 3,438.79* |
| FIRE DEPARTMENT | ALPHA WIRELESS - MAN | EQUIPMENT | 94.91 |
| FIRE DEPARTMENT | SANFORD LABORATORIES | TESTING | 69.71 |
| FIRE DEPARTMENT | WINDOM TOWING CO | SERVICE | 267.19 |
| | Total for Department 125 | | 431.81* |
| STREET | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 24.00 |
| STREET | NCPERS MINNESOTA | INSURANCE 844600 | 80.00 |
| STREET | SVE LLC | ICE STORM-CLEANUP HIRE | 21,875.00 |
| STREET | SVE LLC | SERVICE | 200.00 |
| STREET | TOM VOTH | MSHA CERTIFICATION | 8.97 |
| STREET | STEVE WILLARD | MSHA CERTIFICATION | 8.97 |
| | Total for Department 140 | | 22,196.94* |
| PARKS | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 44.00 |
| PARKS | NCPERS MINNESOTA | INSURANCE 844600 | 16.00 |
| | Total for Department 165 | | 60.00* |
| GENERAL | SECR REV FUND/CITY O | PETTY CASH | 1.74 |
| | Total for Department 201 | | 1.74* |
| | Total for Fund 01 | | 27,835.41* |

CITY OF WINDOM
 FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|--------------------------|------------------------|-----------|
| LIBRARY | AUDIO GO | BOOKS & AUDIO | 112.26 |
| LIBRARY | CONDE NAST TRAVELER | SUBSCRIPTION | 15.00 |
| LIBRARY | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 96.00 |
| LIBRARY | DEMCO | BOOK COVERS | 160.20 |
| LIBRARY | GALE | BOOKS | 125.94 |
| LIBRARY | SANDRA HERDER | CLEANING | 372.45 |
| LIBRARY | J & K WINDOWS | CLEANING SERVICE | 20.00 |
| LIBRARY | JAY KUEHL | SNOW REMOVAL | 90.00 |
| LIBRARY | MELISSA PENAS | CLEANING | 372.45 |
| LIBRARY | STAR TRIBUNE | SUBSCRIPTION | 68.25 |
| LIBRARY | THE NEW YORKER | SUBSCRIPTION | 89.99 |
| LIBRARY | FARM COLLECTOR MAGAZ | SUBSCRIPTION | 34.95 |
| LIBRARY | DISNEY MOVIE CLUB | BOOKS & MOVIES | 21.95 |
| LIBRARY | DISNEY MOVIE CLUB | MOVIES | 28.90 |
| | Total for Department 171 | | 1,608.34* |
| | Total for Fund 03 | | 1,608.34* |
| | MUNICIPAL EMERGENCY | TURNOUT GEAR | 5,178.30 |
| | Total for Department | | 5,178.30* |
| | Total for Fund 04 | | 5,178.30* |
| AIRPORT | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 24.00 |
| | Total for Department 174 | | 24.00* |
| | Total for Fund 11 | | 24.00* |
| AMBULANCE | JIM AXFORD | EXPENSE | 8.34 |
| AMBULANCE | DONNA MARCY | AMB CLOTHING | 98.83 |
| AMBULANCE | DONNA MARCY | EXPENSE | 12.23 |
| AMBULANCE | EXPERT T BILLING | BILLING SERVICE | 1,138.50 |
| AMBULANCE | APRIL HARRINGTON | EXPENSE | 27.29 |
| AMBULANCE | MARK MARCY | AMBULANCE CLOTHING | 162.83 |
| AMBULANCE | ROBIN SHAW | EXPENSE | 9.39 |
| | Total for Department 176 | | 1,457.41* |
| | Total for Fund 13 | | 1,457.41* |
| MULTI-PURPOSE BUILDI | MARTIN'S FLAG COMPAN | EQUIPMENT | 291.02 |
| MULTI-PURPOSE BUILDI | NCPERS MINNESOTA | INSURANCE 844600 | 48.00 |
| MULTI-PURPOSE BUILDI | MN ENERGY RESOURCES | SERVICE | 1,310.51 |
| | Total for Department 177 | | 1,649.53* |
| | Total for Fund 14 | | 1,649.53* |
| SCDP | SW MN HOUSING PARTNE | CDAP-10-0058-O-FY11 20 | 8,225.00 |
| | Total for Department 163 | | 8,225.00* |
| | Total for Fund 17 | | 8,225.00* |

CITY OF WINDOM
FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|--------------------|---|--------------------------|------------|
| N IND PARK | CNA SURETY | BOND INCREASE | 100.00 |
| | | Total for Department 147 | 100.00* |
| | | Total for Fund 18 | 100.00* |
| '13 STREET PROJECT | MN POLLUTION CONTROL PERMIT #MN R100001 | | 400.00 |
| | | Total for Department 121 | 400.00* |
| | | Total for Fund 21 | 400.00* |
| LIQUOR | BEVERAGE WHOLESALERS | MERCHANDISE | 6,379.20 |
| LIQUOR | WIRTZ BEVERAGE MN WI | MERCHANDISE | 4,348.82 |
| LIQUOR | HAGEN BEVERAGE DIST. | MERCHANDISE | 15,180.70 |
| LIQUOR | JOHNSON BROS. | MERCHANDISE | 1,009.79 |
| LIQUOR | NCPERS MINNESOTA | INSURANCE 844600 | 16.00 |
| LIQUOR | MN ENERGY RESOURCES | SERVICE | 154.30 |
| LIQUOR | PHILLIPS WINE & SPIR | MERCHANDISE | 2,718.23 |
| | | Total for Department 180 | 29,807.04* |
| | | Total for Fund 60 | 29,807.04* |
| WATER | CONTROLS & METERS, I | MAINTENANCE | 628.37 |
| WATER | INDOFF, INC | EQUIPMENT | 278.94 |
| WATER | HAWKINS, INC | CHEMICALS | 7,519.51 |
| WATER | HAWKINS, INC | CREDIT - CHEMICALS | -1,535.08 |
| WATER | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 250.00 |
| WATER | MN VALLEY TESTING | TESTING | 56.25 |
| WATER | NCPERS MINNESOTA | INSURANCE 844600 | 40.00 |
| WATER | MN ENERGY RESOURCES | SERVICE | 1,213.34 |
| WATER | SECR REV FUND/CITY O | PETTY CASH | 11.77 |
| | | Total for Department 181 | 8,463.10* |
| | | Total for Fund 61 | 8,463.10* |
| | WESCO DISTRIBUTION, | CREDIT-PARTS & SUPPLIES | -120.23 |
| | WESCO DISTRIBUTION, | PARTS & SUPPLIES | 865.69 |
| | | Total for Department | 745.46* |
| ELECTRIC | IRBY ELECTRICAL DIST | SUPPLIES | 26.72 |
| ELECTRIC | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 24.00 |
| ELECTRIC | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 250.00 |
| ELECTRIC | NCPERS MINNESOTA | INSURANCE 844600 | 96.00 |
| ELECTRIC | NORTHLAND CHEMICAL C | SUPPLIES | 197.58 |
| ELECTRIC | MN ENERGY RESOURCES | SERVICE | 429.12 |
| ELECTRIC | SECR REV FUND/CITY O | PETTY CASH | 17.05 |
| ELECTRIC | COUNTRY PRIDE SERVIC | LIGHTING REBATE & BONUS | 1,229.00 |
| ELECTRIC | ZIEGLER, INC. | ANNUAL MAINTENANCE | 18,690.00 |
| ELECTRIC | HARVEY NERNESS | ENERGY REBATE | 220.50 |
| ELECTRIC | LAURA SANDMEYER | ENERGY REBATE | 10.00 |
| ELECTRIC | TIFFANY/VICKIE BENSO | ENERGY REBATE | 50.00 |

CITY OF WINDOM
 FM Entry - Invoice Payment - Department Report

| Department | Vendor Name | Description | Amount |
|----------------------|----------------------|--------------------------|-------------|
| ELECTRIC | TREVOR SLETTE | ENERGY REBATE | 50.00 |
| | | Total for Department 182 | 21,289.97* |
| | | Total for Fund 62 | 22,035.43* |
| SEWER | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 373.60 |
| SEWER | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 250.00 |
| SEWER | MN VALLEY TESTING | TESTING | 1,662.40 |
| SEWER | NCPERS MINNESOTA | INSURANCE 844600 | 56.00 |
| SEWER | MN ENERGY RESOURCES | SERVICE | 225.34 |
| | | Total for Department 183 | 2,567.34* |
| | | Total for Fund 63 | 2,567.34* |
| ARENA | COCA-COLA BOTTLING C | MERCHANDISE | 202.90 |
| ARENA | NCPERS MINNESOTA | INSURANCE 844600 | 32.00 |
| ARENA | MN ENERGY RESOURCES | SERVICE | 1,012.53 |
| | | Total for Department 184 | 1,247.43* |
| | | Total for Fund 64 | 1,247.43* |
| ECONOMIC DEVELOPMENT | CENTURY BUSINESS PRO | COPIER MAINTENANCE | 70.85 |
| ECONOMIC DEVELOPMENT | COTTONWOOD CO TREASU | PROPERTY TAXES-MAY | 13,237.00 |
| ECONOMIC DEVELOPMENT | INDOFF, INC | SUPPLIES | 6.84 |
| ECONOMIC DEVELOPMENT | NCPERS MINNESOTA | INSURANCE 844600 | 24.00 |
| ECONOMIC DEVELOPMENT | SECR REV FUND/CITY O | PETTY CASH | 8.00 |
| | | Total for Department 187 | 13,346.69* |
| | | Total for Fund 67 | 13,346.69* |
| | MN 9-1-1 PROGRAM | 911 SERVICE | 1,052.97 |
| | | Total for Department | 1,052.97* |
| TELECOMMUNICATIONS | BLUEHIGHWAYS | SUBSCRIBER | 248.31 |
| TELECOMMUNICATIONS | H & H ELECTRIC | PARTS & SUPPLIES | 4,435.06 |
| TELECOMMUNICATIONS | HP SUDS CLUB, LLC. | BILLING CONTRACT SERVICE | 250.00 |
| TELECOMMUNICATIONS | NCPERS MINNESOTA | INSURANCE 844600 | 96.00 |
| TELECOMMUNICATIONS | CENTURY LINK | TELEPHONE | 100.21 |
| TELECOMMUNICATIONS | TECHNOLOGY PLANNERS, | SERVICE | 360.00 |
| | | Total for Department 199 | 5,489.58* |
| | | Total for Fund 69 | 6,542.55* |
| | NCPERS MINNESOTA | INSURANCE 844600 | 32.00 |
| | | Total for Department | 32.00* |
| | | Total for Fund 70 | 32.00* |
| | | Grand Total | 130,519.57* |

5-1-13
 BA

State of Minnesota
Department of Transportation
Office of Aeronautics
Airport Development Section

Construction Report and Cost Estimate

State Project Number: 1701-34

Municipality: WINDOM

Project Description: Construct Hangar, Fuel Farm EA 09-12

Contractor's Name:

Agreement: 02655

Region: S FAA Proj Number: 3-27-0113-09-12

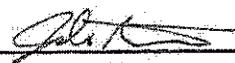
FY: 2013 Estimate Number: 4

Construction Costs Through: April 26, 2013

CERTIFICATION OF WORK PERFORMED

I have examined the materials furnished and work performed by the Contractor on the above project. To the best of my knowledge the quantities are correct and in accordance with the plans and specifications. I recommend this estimate for payment. If a Statement of Engineering Services is attached, I certify the engineering costs shown are correct.

Dated: 5/3/13 Title: Project Manager - TRDA



Engineer's Signature

This is to certify that the quantities as shown herein are a fair estimate for the period covered by this Report.

Dated: _____ Title: _____

CERTIFICATION BY AN OFFICIAL OF WINDOM

I hereby certify this report (and the attached Statement of Engineering Services) was approved for payment by the Municipal Council at the regular (special) meeting held on the _____ Day of _____

Title: _____

WINDOM

Approval

State of Minnesota
 Department of Transportation
 Office of Aeronautics
 Airport Development Section

STATEMENT OF CONSTRUCTION WORK PERFORMED

State Project Number: 1701-34

Municipality: WINDOM

Project Description: Construct Hangar, Fuel Farm EA 09-12

Agreement: 02655

Region: S FAA Proj Number: 3-27-0113-09-12

FY: 2013 Estimate Number: 4

Construction Costs Through: April 26, 2013

| Item Number | Construction Item | Unit of Measure | Funding Rate FAA-ST-MUN | Unit Price | Quantity | Amount | Previously Completed Quantity | Completed This Report Quantity | Completed to Date Quantity | Completed to Date Amount |
|-------------|---------------------------------|-----------------|-------------------------|------------|----------|-----------|-------------------------------|--------------------------------|----------------------------|--------------------------|
| 1 | S Central Electric 11A29M2 | dollars | 090 000 010 | 1.00 | | 0.00 | 16,030 | 0.000 | 16,030 | 16,030 |
| 2 | S Central Electric 11M3M2 | dollars | 090 000 010 | 1.00 | | 0.00 | 2,778.750 | 0.000 | 2,778.750 | 2,778.75 |
| 3 | Knickrehm Electric 2355 | dollars | 090 000 010 | 1.00 | | 0.00 | 1,169.560 | 0.000 | 1,169.560 | 1,169.56 |
| 4 | JH Larson S100236457001 | dollars | 090 000 010 | 1.00 | | 0.00 | 526.440 | 0.000 | 526.440 | 526.44 |
| 5 | **** EMPIRE CONSTRUCTION **** | | *** ** | | | 0.00 | 0.000 | 0.000 | 0.000 | 0.00 |
| 6 | MOBILIZATION | LS | 090 000 010 | 12,000.00 | 1.000 | 12,000.00 | 0.600 | 0.400 | 1.000 | 12,000.00 |
| 7 | ELECTRICAL UTILITY ENCASEMENT | LF | 090 000 010 | 12.00 | 330.000 | 3,960.00 | | 0.000 | | 0.00 |
| 8 | REMOVE BITUMINOUS PAVEMENT | SY | 090 000 010 | 7.31 | 205.000 | 1,498.55 | 205.000 | 0.000 | 205.000 | 1,498.55 |
| 9 | REMOVE SUBDRAIN | LF | 090 000 010 | 5.35 | 100.000 | 535.00 | 100.000 | 0.000 | 100.000 | 535.00 |
| 10 | REMOVE CONCRETE PAD | LS | 090 000 010 | 400.00 | 1.000 | 400.00 | 1.000 | 0.000 | 1.000 | 400.00 |
| 11 | REMOVE AIRCRAFT ANCHOR | EACH | 090 000 010 | 150.00 | 9.000 | 1,350.00 | | 0.000 | | 0.00 |
| 12 | COMMON EXCAVATION | CY | 090 000 010 | 16.00 | 50.000 | 800.00 | 50.000 | 0.000 | 50.000 | 800.00 |
| 13 | SUBGRADE EXCAVATION | CY | 090 000 010 | 10.70 | 100.000 | 1,070.00 | | 0.000 | | 0.00 |
| 14 | GRANULAR MATERIAL (CV) | CY | 090 000 010 | 24.00 | 175.000 | 4,200.00 | 84.000 | 0.000 | 84.000 | 2,016.00 |
| 15 | WATER | MGAL | 090 000 010 | 100.00 | 25.000 | 2,500.00 | | 0.000 | | 0.00 |
| 16 | TOPSOIL PLACEMENT | SY | 090 000 010 | 4.50 | 712.000 | 3,204.00 | 712.000 | 0.000 | 712.000 | 3,204.00 |
| 17 | 6" AGGREGATE BASE | SY | 090 000 010 | 17.80 | 550.000 | 9,790.00 | | 0.000 | | 0.00 |
| 18 | WEARING COURSE MIXTURE | TON | 090 000 010 | 84.07 | 70.000 | 5,884.90 | | 0.000 | | 0.00 |
| 19 | BINDER COURSE MIXTURE | TON | 090 000 010 | 75.36 | 70.000 | 5,275.20 | | 0.000 | | 0.00 |
| 20 | BITUMINOUS MATERIAL FOR MIXTURE | TON | 090 000 010 | 131.23 | 10.000 | 1,312.30 | | 0.000 | | 0.00 |
| 21 | BITUMINOUS TACK COAT | GAL | 090 000 010 | 5.66 | 55.000 | 311.30 | | 0.000 | | 0.00 |
| 22 | AIRCRAFT ANCHOR IN BITUMINOUS | EACH | 090 000 010 | 150.00 | 9.000 | 1,350.00 | | 0.000 | | 0.00 |
| 23 | PAVEMENT MARKING | LS | 090 000 010 | 1,000.00 | 1.000 | 1,000.00 | | 0.000 | | 0.00 |
| 24 | MARKING OBLITERATION | LS | 090 000 010 | 1,000.00 | 1.000 | 1,000.00 | | 0.000 | | 0.00 |
| 25 | SODDING | SY | 090 000 010 | | 750.000 | 0.00 | | 0.000 | | 0.00 |
| 26 | WATER | MGAL | 090 000 010 | 100.00 | 45.000 | 4,500.00 | | 0.000 | | 0.00 |
| 27 | SILT FENCE, HEAVY DUTY | LF | 090 000 010 | 3.00 | 400.000 | 1,200.00 | 400.000 | 0.000 | 400.000 | 1,200.00 |

State of Minnesota
 Department of Transportation
 Office of Aeronautics
 Airport Development Section

STATEMENT OF CONSTRUCTION WORK PERFORMED

State Project Number: 1701-34
 Municipality: WINDOM

Project Description: Construct Hangar, Fuel Farm EA 09-12

Agreement: 02655
 Region: S FAA Proj Number: 3-27-0113-09-12
 FY: 2013 Estimate Number: 4
 Construction Costs Through: April 26, 2013

| Item Number | Construction Item | Unit of Measure | Funding Rate FAA-ST-MUN | Unit Price | Quantity | Amount | Previously Completed Quantity | Completed This Report Quantity | Completed to Date Quantity | Completed to Date Amount |
|-------------|--------------------------------|-----------------|-------------------------|------------|----------|------------------|-------------------------------|--------------------------------|----------------------------|--------------------------|
| 28 | HANGAR ELECTRICAL CONSTRUCTION | LS | 090 000 010 | 40,000.00 | 1,000 | 40,000.00 | 0.400 | 0.400 | 0.400 | 16,000.00 |
| 29 | HANGAR MECHANICAL CONSTRUCTION | LS | 090 000 010 | 25,500.00 | 1,000 | 25,500.00 | 0.000 | 0.000 | 0.000 | 0.00 |
| 30 | PREFABRICATED METAL HANGAR BUI | LS | 090 000 010 | 236,159.00 | 1,000 | 236,159.00 | 0.800 | 0.070 | 0.870 | 205,458.33 |
| 31 | LIGHTING UPGRADE | LS | 090 000 010 | 5,000.00 | 1,000 | 5,000.00 | 0.000 | 0.000 | 0.000 | 0.00 |
| 32 | IN-FLOOR HEATING UPGRADE | LS | 090 000 010 | 11,300.00 | 1,000 | 11,300.00 | 0.000 | 0.000 | 0.000 | 0.00 |
| 33 | BI-FOLD DOOR INSULATION | LS | 090 000 010 | 1,200.00 | 1,000 | 1,200.00 | 1.000 | 0.000 | 1.000 | 1,200.00 |
| 34 | LINER PANEL - FULL HEIGHT AND | LS | 090 000 010 | 11,500.00 | 1,000 | 11,500.00 | 0.800 | 0.000 | 0.800 | 9,200.00 |
| 35 | EPOXY FLOORING AND VAPOR BARRI | LS | 090 000 010 | 3,074.00 | 1,000 | 3,074.00 | 0.000 | 0.000 | 0.000 | 0.00 |
| 36 | OVERHEAD DOOR | LS | 090 000 010 | 3,074.00 | 1,000 | 3,074.00 | 0.000 | 0.000 | 0.000 | 0.00 |
| | | | | | | Contract Totals: | | | | 396,874.25 |
| | | | | | | | | | Completed to Date: | 258,002.66 |

| Construction Prorates: | A | TOTAL | FEDERAL | STATE | LOCAL |
|--------------------------------------|---|------------|-------------|----------|-------------|
| Previously Completed: | | 220,671.53 | 90,000.00 % | 0.0000 % | 10,000.00 % |
| Completed This Report: | | 37,331.15 | 198,604.14 | 0.00 | 22,067.39 |
| Completed to Date: | | 258,002.66 | 33,597.89 | 0.00 | 3,733.24 |
| | | | 232,202.03 | 0.00 | 25,800.63 |
| Retainage Computation for Payment to | | | | | |
| Total Completed to Date: | | 258,002.66 | 232,202.03 | 0.00 | 25,800.63 |
| Less 4 % Retainage: | | 12,675.59 | 11,408.03 | 0.00 | 1,267.56 |
| Sub Total Payment: | | 245,327.07 | 220,794.00 | 0.00 | 24,533.07 |
| Less Previous Payments: | | 209,862.49 | 188,876.00 | 0.00 | 20,986.49 |
| Contractors Payment This Estimate: | | 35,464.58 | 31,918.00 | 0.00 | 3,546.58 |

FAA AIF NO. 3-27-0118-09-12
 STATE PROJECT NO. A1701-34
 TKDA PROJECT NO. 15104

2012 LARGE AIRCRAFT HANGAR CONSTRUCTION PROJECT
 WINDOM MUNICIPAL AIRPORT
 SCHEDULE OF PAYMENTS

CONTRACTOR: EMPIRE BUILDING CONSTRUCTION

| ITEM NO. | DESCRIPTION | PLAN QUANTITY | UNIT PRICE | BID TOTAL | PARTIAL PAYMENT #1 THRU 12/28/12 | | PARTIAL PAYMENT #2 THRU 3/30/13 | | PARTIAL PAYMENT #3 THRU 4/28/13 | | PARTIAL PAYMENT #4 THRU 5/21/13 | | COMPLETE TO DATE | |
|---------------------|---------------------------------------|---------------|------------|--------------|-------------------------------------|-------------|------------------------------------|-------------|------------------------------------|--------|------------------------------------|------------|------------------|-------|
| | | | | | QUANTITY | TOTAL | QUANTITY | TOTAL | QUANTITY | TOTAL | QUANTITY | TOTAL | QUANTITY | TOTAL |
| 40-1 | MOBILIZATION | 1 LS | 12,000.00 | 12,000.00 | 0.30 | 3,600.00 | 0.40 | 4,800.00 | 0.00 | 0.00 | 1.00 | 12,000.00 | 0.00 | 0.00 |
| 2-58H | ELECTRICAL UTILITY ENCASEMENT | 330 LF | 12.00 | 3,960.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 43-1 | REMOVE BITUMINOUS PAVEMENT | 205 SY | 7.31 | 1,498.55 | 205.0 | 1,498.55 | 0.00 | 0.00 | 0.00 | 0.00 | 205.0 | 1,498.55 | 0.00 | 0.00 |
| 45-2 | REMOVE SUBDRAIN | 100 LF | 5.95 | 595.00 | 100.0 | 595.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.0 | 595.00 | 0.00 | 0.00 |
| 43-3 | REMOVE CONCRETE PAD | 1 LS | 400.00 | 400.00 | 1.0 | 400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.0 | 400.00 | 0.00 | 0.00 |
| 43-4 | REMOVE AIRCRAFT ANCHOR | 9 EA | 1,350.00 | 1,215.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 51-1 | COMMON EXCAVATION | 50 CY | 16.00 | 800.00 | 50.0 | 800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 50.0 | 800.00 | 0.00 | 0.00 |
| 51-2 | SUBGRADE EXCAVATION | 100 CY | 10.70 | 1,070.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 51-4 | GRANULAR MATERIAL (CV) | 178 CY | 24.00 | 4,272.00 | 84.0 | 2,016.00 | 0.00 | 0.00 | 0.00 | 0.00 | 84.0 | 2,016.00 | 0.00 | 0.00 |
| 51-7 | WATER | 26 MGAL | 100.00 | 2,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 51-12 | TOP SOIL PLACEMENT | 712 SY | 4.50 | 3,204.00 | 712.0 | 3,204.00 | 0.00 | 0.00 | 0.00 | 0.00 | 712.0 | 3,204.00 | 0.00 | 0.00 |
| 72-1 | 9" AGGREGATE BASE | 560 SY | 17.80 | 9,968.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 82-1 | WEARING COURSE MIXTURE | 70 TN | 84.07 | 5,884.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 82-2 | BINDER COURSE MIXTURE | 70 TN | 75.36 | 5,275.20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 82-5 | BITUMINOUS MATERIAL FOR MIXTURE | 10 TN | 131.23 | 1,312.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 82-6 | BITUMINOUS TACK COAT | 55 GAL | 5.66 | 311.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 103-1 | AIRCRAFT ANCHOR IN BITUMINOUS | 9 EA | 150.00 | 1,350.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 105-1 | PAVEMENT MARKING | 1 LS | 1,000.00 | 1,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 105-2 | MARKING OBLITERATION | 1 LS | 1,000.00 | 1,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 111-1 | SODDING | 750 SY | 6.30 | 4,725.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 111-2 | WATER | 45 MGAL | 100.00 | 4,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 112-1 | SALT FENCE, HEAVY DUTY | 400 LF | 3.00 | 1,200.00 | 400.0 | 1,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 400.0 | 1,200.00 | 0.00 | 0.00 |
| 200-1 | HANGAR ELECTRICAL CONSTRUCTION | 1 LS | 40,000.00 | 40,000.00 | 0.00 | 0.00 | 0.40 | 16,000.00 | 0.00 | 0.00 | 0.40 | 16,000.00 | 0.00 | 0.00 |
| 300-1 | HANGAR MECHANICAL CONSTRUCTION | 1 LS | 25,500.00 | 25,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 300-1 | PREFABRICATED METAL HANGAR BUILDING | 1 LS | 286,199.00 | 286,199.00 | 0.60 | 141,699.40 | 0.07 | 18,594.13 | 0.00 | 0.00 | 0.67 | 206,488.33 | 0.00 | 0.00 |
| TOTAL | | | | \$430,987.25 | \$154,948.55 | \$61,421.80 | \$37,331.13 | \$37,331.13 | \$0.00 | \$0.00 | \$653,511.88 | | | |
| 200-2 | LIGHTING UPGRADE | 1 LS | 5,000.00 | 5,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 300-2 | IN-FLOOR HEATING UPGRADE | 1 LS | 11,300.00 | 11,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 500-2 | BIFOLD DOOR INSULATION | 1 LS | 1,200.00 | 1,200.00 | 1.0 | 1,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.0 | 1,200.00 | 0.00 | 0.00 |
| 500-3 | LINER PANEL - FULL HEIGHT AND CEILING | 1 LS | 11,500.00 | 11,500.00 | 0.8 | 9,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.8 | 9,200.00 | 0.00 | 0.00 |
| 500-4 | EPOXY FLOORING AND VAPOR BARRIER | 1 LS | 29,013.00 | 29,013.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| 500-5 | OVERHEAD DOOR | 1 LS | 3,074.00 | 3,074.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 |
| TOTAL | | | | \$430,987.25 | \$154,948.55 | \$61,421.80 | \$37,331.13 | \$37,331.13 | \$0.00 | \$0.00 | \$653,511.88 | | | |
| LESS 5% RETAINAGE | | | | \$7,127.45 | \$3,051.53 | \$1,051.53 | \$1,886.58 | \$1,886.58 | \$0.00 | \$0.00 | \$12,875.59 | | | |
| TOTAL THIS ESTIMATE | | | | \$447,201.50 | \$147,201.50 | \$58,170.21 | \$35,444.57 | \$35,444.57 | \$0.00 | \$0.00 | \$640,636.29 | | | |