



Dear Elected Official:

At your direction and with your staff, we have prepared the enclosed Preliminary Official Statement describing this financial transaction, which must meet the Municipal Market disclosure requirements. This Preliminary Official Statement is also being distributed to potential bidders who will rely on the contents of this document in assessing your 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 Preliminary 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?*

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 Preliminary Official Statement, and let us know *within one week* if any changes are necessary before you designate it as the "Final Official Statement".

Yours truly,

Ehlers



In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel, the Series 2017A Bonds and the Series 2017B Certificates, 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 2017A Bonds and the Series 2017B Certificates 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 City will designate the Series 2017A Bonds and the Series 2017B Certificates 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 Applications Made: S&P Global Ratings (Series 2017A Bonds and Series 2017B Certificates)  
Credit Enhancement Rating Application Made: S&P Global Ratings (Series 2017A Bonds)**

**(State of Minnesota Credit Enhancement Program)  
PRELIMINARY OFFICIAL STATEMENT DATED MAY 4, 2017  
CITY OF WINDOM, MINNESOTA  
(Cottonwood County)**

**\$4,140,000\* GENERAL OBLIGATION IMPROVEMENT AND UTILITY REVENUE BONDS, SERIES 2017A  
\$925,000\*\* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2017B**

**PROPOSAL OPENING:** May 16, 2017, 10:00 A.M., C.T.

**CONSIDERATION:** May 16, 2017, 7:30 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$4,140,000\* General Obligation Improvement and Utility Revenue Bonds, Series 2017A (the "Series 2017A Bonds") are being issued pursuant to Minnesota Statutes, Chapters 115, 429, 444, and 475, by the City of Windom, Minnesota (the "City") for the purpose of financing various public improvements within the City. The \$925,000\*\* General Obligation Equipment Certificates, Series 2017B (the "Series 2017B Certificates") are being issued by the City pursuant to Minnesota Statutes, Section 410.32 and 412.301, and Chapter 475, for the purpose of financing the acquisition of capital equipment. All equipment has an expected useful life at least as long as the term of the Series 2017B Certificates. The Series 2017A Bonds and the Series 2017B Certificates are general obligations of the City, for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

**SERIES 2017A BONDS**

**DATE OF BONDS:** June 15, 2017

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$50,000	2030	\$225,000
2020	185,000	2031	230,000
2021	190,000	2032	240,000
2022	190,000	2033	245,000
2023	190,000	2034	185,000
2024	195,000	2035	195,000
2025	205,000	2036	200,000
2026	205,000	2037	210,000
2027	210,000	2038	210,000
2028	220,000	2039	140,000
2029	220,000		

**ADJUSTMENT:** \* See "Adjustment Option" herein.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** February 1, 2018 and semiannually thereafter.

**REDEMPTION:** Bonds maturing February 1, 2027 and thereafter are subject to call for prior redemption on February 1, 2026 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM PROPOSAL:** \$4,090,320

**GOOD FAITH DEPOSIT:** A cashier's check in the amount of \$82,800 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation, Roseville, Minnesota.

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

**Series 2017B CERTIFICATES**

**DATE OF BONDS:** June 15, 2017

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount**</u>
2019	\$95,000
2020	95,000
2021	100,000
2022	100,000
2023	105,000
2024	105,000
2025	105,000
2026	110,000
2027	110,000

**ADJUSTMENT:** \*\* See "Adjustment Option" herein.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** February 1, 2018 and semiannually thereafter.

**REDEMPTION:** The Bonds are being offered without option of prior redemption.

**MINIMUM PROPOSAL:** \$911,125.

**GOOD FAITH DEPOSIT:** A cashier's check in the amount of \$18,500 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation, Roseville, Minnesota.

**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 2017A Bonds and the Series 2017B Certificates, as defined in S.E.C. Rule 15c2-12.



## 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 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 Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Series 2017A Bonds and the Series 2017B Certificates in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This 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 & Associates, Inc. prepared this 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 Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., 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 Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Official Statement:** This Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Series 2017A Bonds and the Series 2017B Certificates 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 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 Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the 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 Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Upon award of sale of the Series 2017A Bonds and the Series 2017B Certificates, the 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 Series 2017A Bonds and the Series 2017B Certificates, 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 Official Statement describes the conditions under which the Series 2017A Bonds and the Series 2017B Certificates are required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Series 2017A Bonds and the Series 2017B Certificates, the underwriter (Syndicate Manager) 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 the Series 2017A Bonds and the Series 2017B Certificates and all times subsequent thereto up to and including the time of the delivery of the Series 2017A Bonds and the Series 2017B Certificates, this 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 the Series 2017A Bonds and the Series 2017B Certificates; (3) a certificate evidencing the due execution of the Series 2017A Bonds and the Series 2017B Certificates, 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 the Series 2017A Bonds and the Series 2017B Certificates, (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 the Series 2017A Bonds and the Series 2017B Certificates 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 the Series 2017A Bonds and the Series 2017B Certificates 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>
Dominic Jones	Mayor	December 2021
Marv Grunig	Council Member	December 2021
Paul Johnson	Council Member	December 2019
Rod Byam	Council Member	December 2021
Bryan Joyce	Council Member	December 2019
Jayesun Sherman	Council Member	December 2019

## **ADMINISTRATION**

Steven Nasby, City Administrator  
Chelsie Carlson, Finance Director/Controller  
Denise Nichols, Finance Assistant/Deputy City Clerk

## **PROFESSIONAL SERVICES**

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

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota  
*(Other offices located in Waukesha, Wisconsin, Chicago, Illinois and Denver, Colorado)*

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Windom, Minnesota (the "City") and the issuance of its \$4,140,000\* General Obligation Improvement and Utility Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and \$925,000\*\* General Obligation Equipment Certificates, Series 2017B (the "Series 2017B Certificates"). Any descriptions or summaries of the Series 2017A Bonds and the Series 2017B Certificates, 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 form of the Series 2017A Bonds and the Series 2017B Certificates to be included in the resolutions awarding the sale of the Series 2017A Bonds and the Series 2017B Certificates (the "Award Resolutions") to be adopted by the City Council on May 16, 2017.

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

\* Preliminary, subject to change.

\*\* Preliminary, subject to change.

## THE SERIES 2017A BONDS

### GENERAL

The Series 2017A 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 15, 2017. The Series 2017A 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, 2018, to the registered owners of the Series 2017A 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 Municipal Securities Rulemaking Board ("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 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Series 2017A Bonds of the same maturity must bear interest from the 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 2017A 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 2017A Bonds are held under the book-entry system, beneficial ownership interests in the Series 2017A Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Series 2017A 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 2017A Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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, the Series 2017A Bonds maturing on or after February 1, 2027 shall be subject to optional redemption prior to maturity on February 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Series 2017A Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Series 2017A Bonds to be redeemed shall be at the discretion of the City. If only part of the Series 2017A 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 less than 30 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.

## AUTHORITY; PURPOSE

The Series 2017A Bonds are being issued pursuant to Minnesota Statutes, Chapters 115,429, 444, and 475, by the City for the purpose of financing the 2017 Street and Utility Project and to reimburse the City for prior expenditures made to the municipal water and sewer system.

## ESTIMATED SOURCES AND USES

Sources	Improvement Portion	Water Portion	Sewer Portion	Total Bond Issue
Par Amount of Series 2017A Bonds	<u>\$2,950,000</u>	<u>\$615,000</u>	<u>\$575,000</u>	<u>\$4,140,000</u>
<b>Total Sources</b>	<b>\$2,950,000</b>	<b>\$615,000</b>	<b>\$575,000</b>	<b>\$4,140,000</b>
<b>Uses</b>				
Deposit to Project Fund	\$2,823,000	\$600,000	\$560,000	\$3,983,000
Deposit to Capitalized Interest Fund	47,586	-	-	47,586
Discount Allowance	35,400	7,380	6,900	49,680
Finance Related Expenses	39,903	8,319	7,778	56,000
Contingency	<u>4,111</u>	<u>(699)</u>	<u>322</u>	<u>3,734</u>
<b>Total Uses</b>	<b>\$2,950,000</b>	<b>\$615,000</b>	<b>\$575,000</b>	<b>\$4,140,000</b>

**Breakdown of Principal Payments:**

<b>Payment Date</b>	<b>Improvement Portion</b>	<b>Water Portion</b>	<b>Sewer Portion</b>	<b>Total Bond Issue</b>
2/01/2019	-	\$25,000	\$25,000	\$50,000
2/01/2020	\$135,000	25,000	25,000	185,000
2/01/2021	140,000	25,000	25,000	190,000
2/01/2022	140,000	25,000	25,000	190,000
2/01/2023	140,000	25,000	25,000	190,000
2/01/2024	145,000	25,000	25,000	195,000
2/01/2025	150,000	30,000	25,000	205,000
2/01/2026	150,000	30,000	25,000	205,000
2/01/2027	155,000	30,000	25,000	210,000
2/01/2028	160,000	30,000	30,000	220,000
2/01/2029	160,000	30,000	30,000	220,000
2/01/2030	165,000	30,000	30,000	225,000
2/01/2031	170,000	30,000	30,000	230,000
2/01/2032	175,000	35,000	30,000	240,000
2/01/2033	180,000	35,000	30,000	245,000
2/01/2034	120,000	35,000	30,000	185,000
2/01/2035	125,000	35,000	35,000	195,000
2/01/2036	130,000	35,000	35,000	200,000
2/01/2037	135,000	40,000	35,000	210,000
2/01/2038	135,000	40,000	35,000	210,000
2/01/2039	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
<b>Total</b>	<b>\$2,950,000</b>	<b>\$615,000</b>	<b>\$575,000</b>	<b>\$4,140,000</b>

**SECURITY**

The Series 2017A 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 2017A Bonds, from net revenues of the sewer and water systems which are owned and operated by the City and from ad valorem property taxes. Receipt of special assessments and revenues and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Series 2017A Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Series 2017A 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 S&P Global Ratings.

The City has requested a rating on the Series 2017A Bonds from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Series 2017A Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Series 2017A Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM**

By the resolution adopted for this issue on April 18, 2017 (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 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 issue 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 this issue 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 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 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 Bonds, or if, on the day two business days before the date a payment is due on the 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 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 2017B CERTIFICATES

## GENERAL

The Series 2017B Certificates 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 15, 2017. The Series 2017B Certificates 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, 2018, to the registered owners of the Series 2017B Certificates 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 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Series 2017B Certificates of the same maturity must bear interest from the 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 2017B Certificates 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 2017B Certificates are held under the book-entry system, beneficial ownership interests in the Series 2017B Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Series 2017B Certificates 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 2017B Certificates shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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

The Series 2017B Certificates are being offered without option of prior redemption.

## AUTHORITY; PURPOSE

The Series 2017B Certificates are being issued by the City, pursuant to Minnesota Statutes, Sections 410.32 and 412.301, and Chapter 475, for the purpose of financing the acquisition of various capital equipment for the City's telecommunication system.

The equipment being acquired with the proceeds of the Series 2017B Certificates has an expected useful life at least as long as the term of the Series 2017B Certificates. Because the Series 2017B Certificates exceeds 0.25% of the estimated market value of the City, the City passed a resolution on April 18, 2017 for publication on April 26, 2017 allowing for the 10-day reverse referendum period to end before the Equipment Portion of the Series 2017B Certificates are issued.

## ESTIMATED SOURCES AND USES

### Sources

Par Amount of Series 2017B Certificates	\$925,000	
Cash Contribution (Capitalized Interest)	<u>11,848</u>	
<b>Total Sources</b>		<b>\$936,848</b>

### Uses

Project Costs	\$875,000	
Contingency	3,625	
Discount Allowance	13,875	
Finance Related Expenses	32,500	
Capitalized Interest	<u>11,848</u>	
<b>Total Uses</b>		<b>\$936,848</b>

## SECURITY

The Series 2017B Certificates will be general obligations of the City for which the City will pledge its full faith, credit and taxing powers. Ad valorem taxes will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Series 2017B Certificates as required by Minnesota law. The City anticipates that the annual tax levy for desbt service payments will be abated with other funds; interest revenues from the municipal telecommunication system and other utility funds.

## RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A+" by S&P Global Ratings.

The City has requested a rating on the Series 2017B Certificates from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Series 2017B Certificates, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Series 2017B Certificates any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **PROVISIONS COMMON TO BOTH THE SERIES 2017A BONDS AND THE SERIES 2017B CERTIFICATES**

The following information pertains to both the Series 2017A Bonds and the Series 2017B Certificates which are collectively referred to hereinafter as the "Obligations."

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the City Council by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Obligations. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Ehlers is currently engaged as disclosure dissemination agent for the City.

### **LEGAL OPINION**

An opinion as to the validity of the Obligations 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 be available at the time of delivery of the Obligations. The legal opinion will state that the Obligations are valid and binding general obligations of the City; provided that the rights of the owners of the Obligations and the enforceability of the Obligations may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

### **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 Obligations, interest on the Obligations 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 Obligations 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 Obligations to be includable in gross income and in Minnesota taxable net income retroactive to the date of issuance of the Obligations, 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 Obligations in the event that interest on the Obligations becomes includable in federal gross income or Minnesota taxable net income.

Interest on the Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations in determining the taxability of such benefits. Passive investment income, including interest on the Obligations, 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 Obligations. 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 Obligations. 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 Obligations) issued prior to enactment.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Obligations 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.

## **MUNICIPAL ADVISOR**

Ehlers has served as Municipal Advisor to the City in connection with the issuance of the Obligations. The Municipal Advisor will not participate in the underwriting of the Obligations. The financial information included in this Official Statement has been compiled by the Municipal 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.

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2015 have been audited by CliftonLarsonAllen, LLP, Austin, Minnesota independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

Following is a description of possible risks to holders of the Obligations 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 Obligations 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, water and sewer revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by State government. 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 and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Obligations. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**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 Obligations 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 Obligations may fall for purposes of resale. Noncompliance following the issuance of the Obligations with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Obligations 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 Obligations, or for an increase in the interest rate on the Obligations, in the event that interest on the Obligations 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 Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Obligations. 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 Obligations in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Obligations 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 Obligations to the accounts of the Beneficial Owners of the Obligations 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 Obligations.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Obligations in the secondary market.

**Secondary Market for the Obligations:** No assurance can be given that a secondary market will develop for the purchase and sale of the Obligations or, if a secondary market exists, that such Obligations can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Obligations at the request of the owners thereof. Prices of the Obligations as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Obligations. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Obligations will be similarly qualified.

# 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	2014/15	2015/16	2016/17
Residential homestead <sup>1</sup>	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 <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% <sup>2</sup> Over \$2,140,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% <sup>2</sup> Over \$2,050,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
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 <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .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 <sup>4</sup> - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .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 <sup>4</sup> - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	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%

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

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> 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.

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

## CURRENT PROPERTY VALUATIONS

2015/16 Economic Market Value <sup>1</sup>		<u>\$238,523,589<sup>2</sup></u>
	<b>2016/17 Assessor's Estimated Market Value</b>	<b>2016/17 Net Tax Capacity</b>
Real Estate	\$248,768,200	\$ 2,674,974
Personal Property	1,351,400	24,762
Total Valuation	<u>\$250,119,600</u>	<u>\$ 2,699,736</u>
Less: Captured Tax Increment Tax Capacity <sup>3</sup>		<u>(472,200)</u>
Taxable Net Tax Capacity		<u>\$ 2,227,536</u>

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<sup>1</sup> Most recent values available.

<sup>2</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Windom is about 92.72% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$238,523,589.

<sup>3</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Windom.

**2016/17 NET TAX CAPACITY BY CLASSIFICATION**

	<b>2016/17 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$ 1,221,096	45.23%
Agricultural	24,642	0.91%
Commercial/industrial	1,142,983	42.34%
Railroad operating property	12,790	0.47%
Non-homestead residential	273,182	10.12%
Commercial & residential seasonal/rec.	281	0.01%
Personal property	24,762	0.92%
Total	<u>\$ 2,699,736</u>	<u>100.00%</u>

**TREND OF VALUATIONS**

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
2012/13	\$203,611,700	\$167,823,900	\$ 1,989,047	\$ 1,775,039	2.81%
2013/14	205,736,300	170,108,100	2,028,101	1,843,080	1.04%
2014/15	211,612,000	176,607,500	2,135,533	1,938,437	2.86%
2015/16	221,320,800	185,939,263	2,282,058	2,007,996	4.59%
2016/17	250,119,600	214,900,731	2,699,736	2,227,536	13.01%

<sup>1</sup> Net Tax Capacity includes tax increment values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment values.

**LARGER TAXPAYERS**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2016/17 Net Tax Capacity</b>	<b>Percent of City's Total Net Tax Capacity</b>
Vereit Id LLC	Commercial	\$146,816	5.44%
Fast Manufacturing, Inc.	Industrial	140,959	5.22%
Prime Pork LLC	Industrial	135,970	5.04%
Toro Co.	Industrial	83,656	3.10%
Evangelical Lutheran	Apartments	45,122	1.67%
Global Investments LLC	Commercial	32,948	1.22%
Windom Prop LLC	Commercial	32,258	1.19%
Runnings	Commercial	28,970	1.07%
New Vision Coop	Industrial	24,432	0.91%
SW Design Build, Inc.	Commercial	23,080	0.85%
<b>Total</b>		<u><u>\$694,211</u></u>	<u><u>25.71%</u></u>

City's Total 2016/17 Net Tax Capacity      \$2,699,736

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

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	\$ 246,000
Total g.o. debt being paid from special assessments	240,000
Total g.o. debt being paid from taxes (includes the Series 2017B Certificates)*	925,000
Total g.o. debt being paid from special assessments and taxes	5,115,000
Total g.o. debt being paid from revenues, special assessments, and taxes (includes the Series 2017A Bonds)*	<u>7,855,000</u>
Total General Obligation Debt*	<u><u>\$ 14,381,000</u></u>

#### Revenue Debt (see schedules following)

Total revenue debt being paid from telecommunication revenues	\$ 9,170,000
Total revenue debt being paid from hospital revenues	<u>5,170,000</u>
Total Revenue Debt	<u><u>\$ 14,340,000</u></u>

#### Lease Purchase Obligations (see schedule following)<sup>2</sup>

Total lease purchase obligations paid by annual appropriations <sup>3</sup>	<u><u>\$2,034,000</u></u>
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\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Obligations.

<sup>2</sup> Computers and copiers have not been included, however, information related to these leases can be reviewed in the audit.

<sup>3</sup> Non-general obligation debt has not been included in the debt ratios.

**CITY OF WINDOM, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Revenues**  
**(As of 6/15/17)**

		<b>Water (MPFA Loan)</b>						
<b>Dated Amount</b>	6/28/99 \$1,319,714							
<b>Maturity</b>	8/20							
<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal</b>	<b>Interest</b>	<b>Total P &amp; I</b>	<b>Principal Outstanding</b>	<b>% Paid</b>	<b>Fiscal Year Ending</b>
<b>2017</b>	80,000	5,633	80,000	5,633	85,633	166,000	32.52%	<b>2017</b>
<b>2018</b>	82,000	3,801	82,000	3,801	85,801	84,000	65.85%	<b>2018</b>
<b>2019</b>	84,000	1,924	84,000	1,924	85,924	0	100.00%	<b>2019</b>
	246,000	11,358	246,000	11,358	257,358			

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**CITY OF WINDOM, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Special Assessments**  
**(As of 6/15/17)**

**Refunding 1)  
 Series 2011B**

**Dated** 12/08/11  
**Amount** \$795,000  
**Maturity** 2/01

<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total P &amp; I</b>	<b>Principal Outstanding</b>	<b>% Paid</b>	<b>Fiscal Year Ending</b>
<b>2017</b>		2,100	0	2,100	2,100	240,000	0.00%	<b>2017</b>
<b>2018</b>	120,000	3,210	120,000	3,210	123,210	120,000	50.00%	<b>2018</b>
<b>2019</b>	120,000	1,110	120,000	1,110	121,110	0	100.00%	<b>2019</b>
	240,000	6,420	240,000	6,420	246,420			

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 Taxes**  
**(As of 6/15/17)**

**(This Issue)**  
**Equipment Cert**  
**Series 2017B**

**Dated** 6/15/17  
**Amount** \$925,000\*  
**Maturity** 2/01

<b>Fiscal Year</b> <b>Ending</b>	<b>Principal</b>	<b>Estimated</b> <b>Interest</b>	<b>Total</b> <b>Principal</b>	<b>Total</b> <b>Interest</b>	<b>Total</b> <b>P &amp; I</b>	<b>Principal</b> <b>Outstanding</b>	<b>% Paid</b>	<b>Fiscal Year</b> <b>Ending</b>
<b>2018</b>	0	21,284	0	21,284	21,284	925,000	0.00%	<b>2018</b>
<b>2019</b>	95,000	18,208	95,000	18,208	113,208	830,000	10.27%	<b>2019</b>
<b>2020</b>	95,000	16,806	95,000	16,806	111,806	735,000	20.54%	<b>2020</b>
<b>2021</b>	100,000	15,195	100,000	15,195	115,195	635,000	31.35%	<b>2021</b>
<b>2022</b>	100,000	13,320	100,000	13,320	113,320	535,000	42.16%	<b>2022</b>
<b>2023</b>	105,000	11,218	105,000	11,218	116,218	430,000	53.51%	<b>2023</b>
<b>2024</b>	105,000	8,960	105,000	8,960	113,960	325,000	64.86%	<b>2024</b>
<b>2025</b>	105,000	6,598	105,000	6,598	111,598	220,000	76.22%	<b>2025</b>
<b>2026</b>	110,000	4,070	110,000	4,070	114,070	110,000	88.11%	<b>2026</b>
<b>2027</b>	110,000	1,375	110,000	1,375	111,375	0	100.00%	<b>2027</b>
	925,000	117,033	925,000	117,033	1,042,033			

\* Preliminary, subject to change.

**CITY OF WINDOM, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Special Assessments and Taxes**  
**(As of 6/15/17)**

	Improvement Series 2009A		Improvement Series 2013A		Equipment Certs & Improvement Series 2013B 1)							
Dated Amount	5/28/09 \$1,510,000		6/04/13 \$4,400,000		6/04/13 \$615,000							
Maturity	2/01		2/01		2/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2017		18,066		46,878		3,190	0	68,134	68,134	5,115,000	0.00%	2017
2018	100,000	34,383	210,000	91,656	65,000	6,023	375,000	132,061	507,061	4,740,000	7.33%	2018
2019	105,000	30,664	215,000	87,406	65,000	5,308	385,000	123,378	508,378	4,355,000	14.86%	2019
2020	105,000	26,595	220,000	83,056	70,000	4,425	395,000	114,076	509,076	3,960,000	22.58%	2020
2021	110,000	22,295	230,000	78,556	70,000	3,375	410,000	104,226	514,226	3,550,000	30.60%	2021
2022	110,000	17,895	230,000	73,956	75,000	2,138	415,000	93,989	508,989	3,135,000	38.71%	2022
2023	120,000	13,235	230,000	69,356	75,000	713	425,000	83,304	508,304	2,710,000	47.02%	2023
2024	125,000	8,150	230,000	64,756			355,000	72,906	427,906	2,355,000	53.96%	2024
2025	130,000	2,763	245,000	59,700			375,000	62,463	437,463	1,980,000	61.29%	2025
2026			245,000	54,034			245,000	54,034	299,034	1,735,000	66.08%	2026
2027			255,000	47,938			255,000	47,938	302,938	1,480,000	71.07%	2027
2028			260,000	41,338			260,000	41,338	301,338	1,220,000	76.15%	2028
2029			265,000	34,281			265,000	34,281	299,281	955,000	81.33%	2029
2030			180,000	27,938			180,000	27,938	207,938	775,000	84.85%	2030
2031			185,000	22,463			185,000	22,463	207,463	590,000	88.47%	2031
2032			190,000	16,600			190,000	16,600	206,600	400,000	92.18%	2032
2033			195,000	10,344			195,000	10,344	205,344	205,000	95.99%	2033
2034			205,000	3,588			205,000	3,588	208,588	0	100.00%	2034
	905,000	174,045	3,790,000	913,844	420,000	25,170	5,115,000	1,113,059	6,228,059			

1) A portion of this issue is subject to the legal debt limit (currently outstanding in the principal amount of \$290,000).

**CITY OF WINDOM, MINNESOTA**

**Schedule of Bonded Indebtedness**

**General Obligation Debt Being Paid From Revenues, Special Assessments and Taxes**

(As of 6/15/17)

	Water and Sewer Series 2011A		Refunding 1) Series 2012A		(This Issue) Imprt & Utility Rev Series 2017A							
Dated Amount	12/8/11 \$3,090,000		06/13/12 \$1,640,000		6/15/2017 \$4,140,000*							
Maturity	2/01		2/01		2/1							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2017		37,541		8,075	0	0	0	45,616	45,616	7,855,000	0.00%	2017
2018	210,000	73,403	180,000	15,070	0	119,691	390,000	208,164	598,164	7,465,000	4.96%	2018
2019	210,000	69,833	185,000	12,695	50,000	105,818	445,000	188,345	633,345	7,020,000	10.63%	2019
2020	215,000	65,846	190,000	9,880	185,000	104,210	590,000	179,936	769,936	6,430,000	18.14%	2020
2021	220,000	61,385	190,000	6,650	190,000	101,395	600,000	169,430	769,430	5,830,000	25.78%	2021
2022	220,000	56,435	115,000	3,790	190,000	98,165	525,000	158,390	683,390	5,305,000	32.46%	2022
2023	230,000	51,033	120,000	1,320	190,000	94,650	540,000	147,003	687,003	4,765,000	39.34%	2023
2024	235,000	45,160			195,000	90,895	430,000	136,055	566,055	4,335,000	44.81%	2024
2025	240,000	38,805			205,000	86,793	445,000	125,598	570,598	3,890,000	50.48%	2025
2026	245,000	31,953			205,000	82,385	450,000	114,338	564,338	3,440,000	56.21%	2026
2027	260,000	23,200			210,000	77,715	470,000	100,915	570,915	2,970,000	62.19%	2027
2028	220,000	13,600			220,000	72,660	440,000	86,260	526,260	2,530,000	67.79%	2028
2029	230,000	4,600			220,000	67,270	450,000	71,870	521,870	2,080,000	73.52%	2029
2030					225,000	61,595	225,000	61,595	286,595	1,855,000	76.38%	2030
2031					230,000	55,508	230,000	55,508	285,508	1,625,000	79.31%	2031
2032					240,000	48,865	240,000	48,865	288,865	1,385,000	82.37%	2032
2033					245,000	41,710	245,000	41,710	286,710	1,140,000	85.49%	2033
2034					185,000	35,168	185,000	35,168	220,168	955,000	87.84%	2034
2035					195,000	29,180	195,000	29,180	224,180	760,000	90.32%	2035
2036					200,000	22,760	200,000	22,760	222,760	560,000	92.87%	2036
2037					210,000	15,890	210,000	15,890	225,890	350,000	95.54%	2037
2038					210,000	8,645	210,000	8,645	218,645	140,000	98.22%	2038
2039					140,000	2,485	140,000	2,485	142,485	0	100.00%	2039
	2,735,000	572,793	980,000	57,480	4,140,000	1,423,451	7,855,000	2,053,724	9,908,724			

\*Preliminary, subject to change.

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.

**CITY OF WINDOM, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**Non-General Obligation Debt Being Paid From Telecommunication Revenues**  
**(As of 6/15/17)**

**Comm Sys Refunding  
Series 2012B 1)**

Dated Amount		11/27/12 \$11,205,000		Maturity		6/01		
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2017		153,066	0	153,066	153,066	9,170,000	0.00%	2017
2018	490,000	298,781	490,000	298,781	788,781	8,680,000	5.34%	2018
2019	500,000	283,931	500,000	283,931	783,931	8,180,000	10.80%	2019
2020	520,000	269,931	520,000	269,931	789,931	7,660,000	16.47%	2020
2021	530,000	255,481	530,000	255,481	785,481	7,130,000	22.25%	2021
2022	545,000	239,356	545,000	239,356	784,356	6,585,000	28.19%	2022
2023	565,000	221,647	565,000	221,647	786,647	6,020,000	34.35%	2023
2024	580,000	202,325	580,000	202,325	782,325	5,440,000	40.68%	2024
2025	600,000	182,413	600,000	182,413	782,413	4,840,000	47.22%	2025
2026	620,000	161,825	620,000	161,825	781,825	4,220,000	53.98%	2026
2027	645,000	140,478	645,000	140,478	785,478	3,575,000	61.01%	2027
2028	665,000	117,541	665,000	117,541	782,541	2,910,000	68.27%	2028
2029	690,000	92,981	690,000	92,981	782,981	2,220,000	75.79%	2029
2030	715,000	67,516	715,000	67,516	782,516	1,505,000	83.59%	2030
2031	740,000	41,144	740,000	41,144	781,144	765,000	91.66%	2031
2032	765,000	13,866	765,000	13,866	778,866	0	100.00%	2032
	9,170,000	2,742,281	9,170,000	2,742,281	11,912,281			

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.

**CITY OF WINDOM, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Hospital Revenues**  
**(As of 6/15/17)**

**Gross Rev. Hospital Bonds**  
**Series 2014A**

Dated Amount	12/30/14 \$5,600,000							
Maturity	9/01							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2017	220,000	90,920	220,000	90,920	310,920	4,950,000	4.26%	2017
2018	220,000	178,540	220,000	178,540	398,540	4,730,000	8.51%	2018
2019	225,000	174,690	225,000	174,690	399,690	4,505,000	12.86%	2019
2020	230,000	169,628	230,000	169,628	399,628	4,275,000	17.31%	2020
2021	240,000	163,533	240,000	163,533	403,533	4,035,000	21.95%	2021
2022	245,000	156,333	245,000	156,333	401,333	3,790,000	26.69%	2022
2023	255,000	148,615	255,000	148,615	403,615	3,535,000	31.62%	2023
2024	265,000	139,945	265,000	139,945	404,945	3,270,000	36.75%	2024
2025	270,000	130,670	270,000	130,670	400,670	3,000,000	41.97%	2025
2026	285,000	120,950	285,000	120,950	405,950	2,715,000	47.49%	2026
2027	295,000	110,405	295,000	110,405	405,405	2,420,000	53.19%	2027
2028	305,000	99,195	305,000	99,195	404,195	2,115,000	59.09%	2028
2029	315,000	87,300	315,000	87,300	402,300	1,800,000	65.18%	2029
2030	330,000	74,700	330,000	74,700	404,700	1,470,000	71.57%	2030
2031	345,000	61,005	345,000	61,005	406,005	1,125,000	78.24%	2031
2032	360,000	46,688	360,000	46,688	406,688	765,000	85.20%	2032
2033	375,000	31,748	375,000	31,748	406,748	390,000	92.46%	2033
2034	390,000	16,185	390,000	16,185	406,185	0	100.00%	2034
	5,170,000	2,001,048	5,170,000	2,001,048	7,171,048			

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**CITY OF WINDOM, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**Non-GO Lease being paid from Annual Appropriations**  
**(As of 6/15/17)**

		<b>Lease Purchase</b>							
		<b>2016 Lease</b>							
<b>Dated Amount</b>		12/15/16		\$2,034,000					
<b>Maturity</b>		2/01							
<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total P &amp; I</b>	<b>Principal Outstanding</b>	<b>% Paid</b>	<b>Fiscal Year Ending</b>	
2017	0	35,626	0	35,626	35,626	2,034,000	15.59%	2017	
2018	71,000	55,758	71,000	55,758	126,758	1,963,000	15.59%	2018	
2019	80,000	53,652	80,000	53,652	133,652	1,883,000	12.09%	2019	
2020	82,000	51,392	82,000	51,392	133,392	1,801,000	8.16%	2020	
2021	84,000	49,076	84,000	49,076	133,076	1,717,000	4.13%	2021	
2022	87,000	46,691	87,000	46,691	133,691	1,630,000	8.41%	2022	
2023	89,000	44,235	89,000	44,235	133,235	1,541,000	12.78%	2023	
2024	92,000	41,711	92,000	41,711	133,711	1,449,000	17.31%	2024	
2025	94,000	39,116	94,000	39,116	133,116	1,355,000	21.93%	2025	
2026	97,000	36,451	97,000	36,451	133,451	1,258,000	26.70%	2026	
2027	99,000	33,717	99,000	33,717	132,717	1,159,000	31.56%	2027	
2028	102,000	30,913	102,000	30,913	132,913	1,057,000	36.58%	2028	
2029	105,000	28,026	105,000	28,026	133,026	952,000	41.74%	2029	
2030	108,000	25,054	108,000	25,054	133,054	844,000	47.05%	2030	
2031	111,000	21,999	111,000	21,999	132,999	733,000	52.51%	2031	
2032	114,000	18,860	114,000	18,860	132,860	619,000	58.11%	2032	
2033	117,000	15,638	117,000	15,638	132,638	502,000	63.86%	2033	
2034	120,000	12,332	120,000	12,332	132,332	382,000	69.76%	2034	
2035	124,000	8,928	124,000	8,928	132,928	258,000	75.86%	2034	
2036	127,000	5,427	127,000	5,427	132,427	131,000	82.10%	2034	
2037	131,000	1,827	131,000	1,827	132,827	0	88.54%	2034	
	2,034,000	656,428	2,034,000	656,428	2,690,428				

## 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 Estimated 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 (includes the Series 2017A Bonds)\*; (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.

2016/17 Assessor's Estimated Market Value	\$250,119,600
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 7,503,588
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes <sup>1</sup> (includes the Series 2017B Certificates)*	(1,215,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(2,034,000)</u>
Unused Debt Limit*	<u><u>\$ 4,254,588</u></u>

\*Preliminary, subject to change.

## OVERLAPPING DEBT<sup>2</sup>

Taxing District	2016/17 Taxable Net Tax Capacity	% In City	Total G.O. Debt	City's Proportionate Share
Cottonwood County	\$27,988,610	7.9587%	\$ 330,000	\$ 26,264
I.S.D. No. 177 (Windom)	9,825,532	22.6709%	6,620,000	<u>1,500,814</u>
City's Share of Total Overlapping Debt				<u><u>\$1,527,077</u></u>

<sup>1</sup> This includes the equipment certificate portion of the City's General Obligation Equipment Certificates and Improvement Bonds, Series 2013B, dated June 4, 2013 (\$290,000 principal outstanding).

<sup>2</sup> Overlapping debt is as of the dated date of the Obligations. 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/Economic Market Value (\$238,523,589)	Debt/ Current Population Estimate (4,637)
Direct G.O. Debt Being Paid From:			
Revenues	\$ 246,000		
Special Assessments	240,000		
Taxes	925,000		
Special Assessments & Taxes	5,115,000		
Revenues, Special Assessments & Taxes	<u>7,855,000</u>		
Total General Obligation Debt*	\$ 14,381,000		
Less: G.O. Debt Paid Entirely from Revenues <sup>1</sup>	<u>(1,436,000)</u>		
Tax Supported General Obligation Debt*	\$ 12,945,000	5.43%	\$2,791.68
City's Share of Total Overlapping Debt	<u>\$ 1,527,077</u>	<u>0.64%</u>	<u>\$329.32</u>
Total*	<u><u>\$ 14,472,077</u></u>	<u><u>6.07%</u></u>	<u><u>\$3,121.00</u></u>

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

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<sup>1</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. This includes a portion of the Series 2017A Bonds of this offering (\$1,190,000 principal anticipated).

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2012/13	\$ 1,654,142	\$ 1,611,917	\$ 1,649,516	99.72%
2013/14	1,655,476	1,638,367	1,652,967	99.85%
2014/15	1,718,651	1,702,773	1,716,205	99.86%
2015/16	1,779,794	1,768,000	1,768,000	99.34%
2016/17	1,827,520	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>3</sup> 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 RATES<sup>4</sup>

	2012/13	2013/14	2014/15	2015/16	2016/17
Cottonwood County	36.548%	27.327%	27.502%	34.152%	35.632%
City of Windom	93.470%	90.194%	89.127%	89.002%	82.388%
I.S.D. No. 177 (Windom)	20.078%	16.865%	16.116%	18.202%	16.928%

#### *Referendum Market Value Rates:*

I.S.D. No. 177 (Windom)	0.37715%	0.35265%	0.30989%	0.29675%	0.13500%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Cottonwood County.

### LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

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

<sup>2</sup> Collections are through December 31, 2016.

<sup>3</sup> Second half tax payments on agricultural property are due on November 15th of each year.

<sup>4</sup> 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 48 full-time, 29 part-time, and 3 seasonal 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
IBEW	December 31, 2017
LELS	December 31, 2017

### POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. The study shows an actuarial accrued liability of \$414,584 with a discount rate of 3.50% as of January 1, 2016. The City is currently funding these obligations on a pay-as-you-go basis.

### 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 the Obligations or otherwise questioning the validity of the Obligations.

## MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

### FUNDS ON HAND (As of March 31, 2017)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 1,913,377
Special Revenue	1,199,336
Debt Service	(590,905)
Capital Projects	2,295,118
Enterprise Funds	5,664,089
Payroll	246
<b>Total Funds on Hand</b>	<b><u><u>\$10,481,260</u></u></b>

## ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2013	2014	2015
<b>Municipal Liquor Store</b>			
Total Operating Revenues	\$ 513,290	\$ 509,776	\$ 520,244
Less: Operating Expenses	<u>(273,098)</u>	<u>(285,502)</u>	<u>(325,555)</u>
Operating Income	\$ 240,192	\$ 224,274	\$ 194,689
Plus: Depreciation	<u>14,238</u>	<u>17,880</u>	<u>17,795</u>
Revenues Available for Debt Service	<u><u>\$ 254,430</u></u>	<u><u>\$ 242,154</u></u>	<u><u>\$ 212,484</u></u>
<b>Water</b>			
Total Operating Revenues	\$ 1,061,768	\$ 1,145,677	\$ 1,279,949
Less: Operating Expenses	<u>(928,516)</u>	<u>(866,938)</u>	<u>(908,587)</u>
Operating Income	\$ 133,252	\$ 278,739	\$ 371,362
Plus: Depreciation	<u>302,599</u>	<u>337,070</u>	<u>353,934</u>
Revenues Available for Debt Service	<u><u>\$ 435,851</u></u>	<u><u>\$ 615,809</u></u>	<u><u>\$ 725,296</u></u>
<b>Electric</b>			
Total Operating Revenues	\$ 5,813,867	\$ 5,814,821	\$ 5,905,526
Less: Operating Expenses	<u>(5,417,401)</u>	<u>(5,480,508)</u>	<u>(5,661,539)</u>
Operating Income	\$ 396,466	\$ 334,313	\$ 243,987
Plus: Depreciation	<u>431,054</u>	<u>470,610</u>	<u>462,592</u>
Revenues Available for Debt Service	<u><u>\$ 827,520</u></u>	<u><u>\$ 804,923</u></u>	<u><u>\$ 706,579</u></u>
<b>Telecom</b>			
Total Operating Revenues	\$ 2,656,719	\$ 2,704,717	\$ 2,801,140
Less: Operating Expenses	<u>(2,411,776)</u>	<u>(2,515,903)</u>	<u>(2,645,201)</u>
Operating Income	\$ 244,943	\$ 188,814	\$ 155,939
Plus: Depreciation	<u>747,466</u>	<u>755,855</u>	<u>667,316</u>
Revenues Available for Debt Service	<u><u>\$ 992,409</u></u>	<u><u>\$ 944,669</u></u>	<u><u>\$ 823,255</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 1,233,527	\$ 1,244,950	\$ 1,192,113
Less: Operating Expenses	<u>(1,067,792)</u>	<u>(1,126,167)</u>	<u>(1,154,065)</u>
Operating Income	\$ 165,735	\$ 118,783	\$ 38,048
Plus: Depreciation	<u>333,308</u>	<u>351,612</u>	<u>356,686</u>
Revenues Available for Debt Service	<u><u>\$ 499,043</u></u>	<u><u>\$ 470,395</u></u>	<u><u>\$ 394,734</u></u>

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2015 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2013 Audited	2014 Audited	2015 Audited	2016 Unaudited <sup>1</sup>	2017 Adopted Budget <sup>2</sup>
<b>Revenues</b>					
General Property Taxes	\$ 892,522	\$ 816,079	\$ 834,713	\$ 846,298	\$ 913,943
Other Taxes	22,387	25,952	27,236	25,258	22,000
Licenses and Permits	115,682	78,961	82,161	108,649	51,420
Intergovernmental	1,700,267	1,830,033	1,755,982	1,691,656	1,751,639
Special Assessments	100	301	0	2,519	0
Charges for Services	243,705	247,684	348,857	374,665	285,300
Fines and forfeitures	24,090	29,884	31,862	29,682	29,000
Interest Income	4,051	13,056	17,941	18,530	400
Investment earnings (Loss)	(4,717)	(5,524)	(2,371)	0	0
Refunds and Reimbursements	23,911	49,385	50,185	62,793	40,000
Grants and Contributions	18,878	20,075	20,906	23,061	2,000
Miscellaneous	2,755	4,699	7,702	7,222	1,850
<b>Total Revenues</b>	<b>\$ 3,043,631</b>	<b>\$ 3,110,585</b>	<b>\$ 3,175,174</b>	<b>\$ 3,190,333</b>	<b>\$ 3,097,552</b>
<b>Expenditures</b>					
Current:					
General government	\$ 374,976	\$ 380,755	\$ 390,919	\$ 404,623	\$ 406,375
Public safety	1,027,179	1,082,118	1,230,069	1,150,411	1,259,296
Public Works	608,493	664,770	665,441	673,459	510,180
Sanitation	1,961	14,450	18,867	20,471	200,500
Culture and recreation	466,971	458,370	469,288	489,340	560,385
Capital outlay	586,996	415,339	837,661	567,264	335,100
Debt Services	77,056	54,588	54,589	54,589	0
<b>Total Expenditures</b>	<b>\$ 3,143,632</b>	<b>\$ 3,070,390</b>	<b>\$ 3,666,834</b>	<b>\$ 3,360,157</b>	<b>\$ 3,271,836</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (100,001)</b>	<b>\$ 40,195</b>	<b>\$ (491,660)</b>	<b>\$ (169,824)</b>	<b>\$ (174,284)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Assets	\$ 0	\$ 0	\$ 14,000	\$ 28,899	
Operating transfers in	445,000	245,000	245,000	473,568	
Operating transfers out	(20,000)	0	0	(468,834)	
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 425,000</b>	<b>\$ 245,000</b>	<b>\$ 259,000</b>	<b>\$ 33,633</b>	
<b>Net Changes in Fund Balances</b>	<b>\$ 324,999</b>	<b>\$ 285,195</b>	<b>\$ (232,660)</b>	<b>\$ (136,191)</b>	
General Fund Balance January 1	2,003,619	2,545,483	2,830,678	2,598,018	
Prior Period Adjustment	216,865				
Residual Equity Transfer in (out)					
General Fund Balance December 31	<b>\$ 2,545,483</b>	<b>\$ 2,830,678</b>	<b>\$ 2,598,018</b>	<b>\$ 2,461,827</b>	
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$ 221,098	\$ 238,527	\$ 23,306	\$ 23,306	
Restricted	69,597	70,597	82,120	82,120	
Assigned	76,729	104,501	183,384	183,384	
Unassigned	2,178,059	2,417,053	2,309,208	2,173,017	
<b>Total</b>	<b>\$ 2,545,483</b>	<b>\$ 2,830,678</b>	<b>\$ 2,598,018</b>	<b>\$ 2,461,827</b>	

<sup>1</sup> Unaudited data is as of December 15, 2016.

<sup>2</sup> The 2017 budget was adopted on December 20, 2016.

## GENERAL INFORMATION

### LOCATION

The City of Windom, with a 2010 U.S. Census population of 4,646 and a current population estimate of 4,637, 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.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City of Windom include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Toro Company	Manufacture lawn and snow removal equipment	600
Fast Global Solutions	Farm equipment manufacturers	149
Prime Pork	Pork processing plant	300 <sup>2</sup>
I.S.D. No. 177 (Windom)	Elementary and secondary education	175
Fortune Transportation	Transportation - Trucking	154
Windom Area Hospital	Hospital	126
Good Samaritan Society Windom	Nursing home and senior living facility	100
Minnesota Department of Transportation	State government transportation services	97
Cottonwood County	County government and services	94
City of Windom	Municipal government and services	80

**Source:** *ReferenceUSA, written and telephone survey (April 2017), and the Minnesota Department of Employment and Economic Development.*

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

<sup>2</sup> Prime Pork is a new employer in the City. They currently employ 230 as of April 2017, but intend to be fully staffed at 300-350 employees in June 2017.

## BUILDING PERMITS

	2013	2014	2015	2016	2017 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	0	1	1	4	0
Valuation	\$0	\$120,000	\$200,000	\$1,043,400	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	1	0	0	0
Valuation	\$0	\$250,000	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	3	4	5	0
Valuation	\$25,000	\$2,957,000	\$6,485,000	\$4,556,826	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	601	276	187	179	32
Valuation	\$7,451,127	\$5,714,734	\$8,688,363	\$17,424,463	\$469,626

Source: The City.

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<sup>1</sup> As of April 14, 2017.

## U.S. CENSUS DATA

### Population Trend: City of Windom, Minnesota

2000 U.S. Census population	4,490
2010 U.S. Census population	4,646
2015 State Demographer's Estimate	4,637
Percent of Change 2000 - 2010	+ 3.47%

### Income and Age Statistics

	City of Windom	Cottonwood County	State of Minnesota	United States
2015 per capita income	\$23,216	\$24,978	\$32,157	\$28,930
2015 median household income	\$39,549	\$46,750	\$61,492	\$53,889
2015 median family income	\$53,813	\$56,596	\$77,055	\$66,011
2015 median gross rent	\$560	\$607	\$848	\$928
2015 median value owner occupied units	\$94,300	\$87,200	\$186,200	\$178,600
2015 median age	41.1	42.8	37.7 yrs.	37.6 yrs.

	State of Minnesota	United States
City % of 2015 per capita income	72.20%	80.25%
City % of 2015 median family income	69.84%	81.52%

### Housing Statistics

	<u>City of Windom</u>		Percent of Change
	2000	2015	
All Housing Units	2,089	2,089	0.00%

Source: 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau ([www.factfinder2.census.gov](http://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	State of Minnesota	State of Minnesota
2013	5,447	5.8%	4.9%	
2014	5,306	5.2%	4.2%	
2015	5,591	4.8%	3.7%	
2016	5,525	6.7%	3.8%	
2017, February	4,865	5.6%	4.8%	

Source: Minnesota Department of Employment and Economic Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Obligations, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

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

**CITY OF WINDOM, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**

**CITY OF WINDOM, MINNESOTA  
OFFICIAL DIRECTORY  
DECEMBER 31, 2015**

Elected Officials

Term Expires

Mayor	Corey Maricle	December 31, 2016
Council Member	Brian Cooley	December 31, 2016
Council Member	JoAnn Ray	December 31, 2016
Council Member	Dominic Jones	December 31, 2018
Council Member	Paul Johnson	December 31, 2018
Council Member	Bryan Joyce	December 31, 2018



# CliftonLarsonAllen

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom (the City), Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Windom as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows, and budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter Regarding Change in Accounting Principle***

As discussed in Note 13 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinions were not modified with respect to this matter.

### ***Emphasis of a Matter Regarding the Correction of an Error***

As discussed in Note 13 to the financial statements, the City has restated its January 1, 2015 net position to include the balances and activity for the hospital and hospital foundation component units. Our opinions were not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and fire relief association – schedule of changes in the net pension asset and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, on our consideration of the City of Windom's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windom's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 28, 2016

CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

As management of the City of Windom (the City), Minnesota, we offer readers of the City of Windom's financial statements this narrative overview and analysis of the financial activities of the City of Windom for the fiscal year ended December 31, 2015.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City of Windom exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$50,202,159 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$21,321,147.
- The City's total net position increased by \$1,872,326 from 2014.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$6,452,167, a decrease of (\$880,239) in comparison with the prior year. The overall *unassigned fund balance* is \$1,825,516.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,309,208 or 63% of total 2015 general fund expenditures. This is below the City policy of 75% of next years' budgeted general fund expenditures but there is a plan in place to replenish this fund balance within three years.
- The City of Windom's total long-term debt increased by \$2,844,656 or 11.1% during the current fiscal period. This increase is attributed to issuance of \$5,546,800 Gross Revenue Hospital Bonds Series 2014A.
- The City of Windom continues to market developed lots in the NWIP and sold lots to Ryan Company for a warehouse building that is to be used by The Toro Company. This warehouse is estimated to be valued at \$7-8 million. The EDA is also pursuing funding for NWIP Phase II project and is pursuing a large manufacturing project.
- The City and utility staff are working on a conversion of the City's utility billing system. This new system will assist with efficiencies, more accurate billings and provide on-line features for customers. The planned implementation date is June 2016.
- The Water, Wastewater, and Electric Departments completed the installation of new electric and water meters for every residential and commercial customer during 2015. The new radio read meters will save time and provide for more accurate readings. The new meters replace many meters that were 20-30 years old.

This discussion and analysis are intended to serve as an introduction to the City of Windom's basic financial statements. The City of Windom's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-Wide Financial Statements**

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

The *statement of net position* presents information on all of the City of Windom's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Windom is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Windom that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City of Windom include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City of Windom include an electric, water, and wastewater utility, municipal liquor store, telecom operation, arena facility, multi-purpose center, hospital operation, and River Bluff townhomes.

The government-wide financial statements can be found on pages 18-20 of this report.

**Fund Financial Statements**

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

**Governmental Funds**

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

CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental functions* and *governmental activities*.

The City of Windom maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and economic development fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary Funds

The City of Windom maintains nine proprietary funds. *Proprietary Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Windom uses proprietary funds to account for its water, wastewater, and electric utilities, liquor store operation, telecom operation, arena operation, multi-purpose center operation, hospital operation, and River Bluff Townhomes.

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and electric utilities, municipal liquor store operation, telecom operation, and hospital operation, all of which are considered to be major funds of the City of Windom. The basic proprietary fund financial statements can be found on pages 26-33 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 34-70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Other Information

The combining statements referred to earlier in conjunction with nonmajor governmental and proprietary funds are presented immediately following the financial statement footnotes. Combining and individual fund statements can be found on pages 74-80.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Other Information

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Windom, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$50,202,159 at the close of the most recent fiscal year compared to \$50,553,140 at the end of 2014.

Approximately 40% of the City of Windom's net position reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt outstanding used to acquire those assets. The City of Windom uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Windom's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of 2015, \$9,446,057 of assets were restricted for debt service payments leaving the remaining balance of \$21,321,147 as unrestricted net position that may be used to meet the City's ongoing obligations.

CITY OF WINDOM'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	As Restated 2014	2015	2014
<b>ASSETS</b>						
Current and Other Assets	\$ 8,060,320	\$ 8,782,177	\$ 30,721,794	\$ 27,082,468	\$ 38,782,114	\$ 35,874,645
Capital Assets	16,212,503	15,863,955	31,357,541	28,239,328	47,570,044	44,103,283
Total Assets	24,272,823	24,646,132	62,079,335	55,321,796	86,352,158	79,977,928
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	246,720	-	201,434	-	448,154	-
<b>LIABILITIES</b>						
Noncurrent Liabilities Outstanding	6,605,352	6,899,341	23,136,892	17,672,951	29,742,244	24,572,292
Other Liabilities	1,268,089	973,632	5,353,602	3,876,664	6,621,691	4,852,496
Total Liabilities	7,873,441	7,872,973	28,490,494	21,551,815	36,363,935	29,424,788
<b>DEFERRED INFLOWS OF RESOURCES</b>	83,967	-	150,251	-	234,218	-
<b>Net Position:</b>						
Net Investment in Capital Assets	10,493,304	10,416,740	8,941,651	10,533,480	19,434,955	20,950,220
Restricted	1,027,028	1,629,874	8,419,029	-	9,446,057	1,829,874
Unrestricted	4,959,683	4,726,545	15,879,666	23,246,501	20,838,349	27,973,046
Total Net Position	\$ 16,480,015	\$ 16,773,159	\$ 33,239,346	\$ 33,779,981	\$ 49,719,361	\$ 50,553,140

2014 information has not been restated for GASBS No. 68 and 71.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

Governmental activities decreased the City of Windom's net position by (\$211,024). This decrease is related to a prior period adjustment of (876,921) to recognize net pension liability attributed to prior year expense. Without the prior period adjustment, the net position would have increased by \$665,897 during 2015. The most significant change in governmental net position is due to the effect of accounting for net position under the full accrual basis. Under full accrual accounting, the property taxes collected in debt service funds were used to reduce debt obligations. These debt obligations were accrued as expenses in prior years. Also contributing to the net position increase was the use of property taxes collected for capital expenditures that were capitalized as long term assets instead of current expenditures.

**Business-Type Activities**

Business-type activities decreased the City of Windom's net position by (\$139,957). This decrease includes a prior period adjustment of (\$1,346,386) related to the recognition of net pension liability attributed to prior year expense. Without the prior period adjustment, net position for business activities would have increased by \$1,206,429 during 2015. Electric and water utilities, municipal liquor store operation, and hospital operation all recorded positive contributions to net position.

**City of Windom's Changes in Net Position**

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31:

	Dissempowered Activities		Business-Type Activities		Total	
	2015	2014	All Revenues 2015	All Revenues 2014	2015	2014
<b>REVENUES</b>						
Program Revenues:						
Fees, Charges, Fines and Other	\$ 162,513	\$ 110,870	\$ 29,076,565	\$ 30,238,781	\$ 29,224,676	\$ 29,224,676
Operating Grants and Contributions	518,354	203,232			518,354	203,232
Capital Grants and Contributions	73,554	445,407	48,853	72,730	122	18,237
General Revenues:						
Property Taxes	377,880	1,474	362,050	414,905	1,40,838	1,750,464
Tax Incremental	254,880	160,521			254,880	160,521
Other Taxes	27,236	25,962			27,236	26,962
Grants and Contributions - Not Restricted	1,442,063	1,418,088	70,800	14,374	1,412,137	1,438,369
Unrealized Interest Income	38,190	78,648	48,837	88,888	132,027	111,534
Unrestricted Investment Earnings (Loss)	(6,889)	(8,088)	(18,805)	(18,790)	(48,184)	(78,757)
Gain/(Loss) on Disposal of Capital Assets	(87,588)	53,288	(22,793)	(18,771)	(9,822)	37,887
Total Revenues	\$ 2,967,199	\$ 2,788,587	\$ 29,818,385	\$ 29,850,017	\$ 29,844,174	\$ 29,844,174
<b>EXPENSES</b>						
General Government	750,361	46,000			351	461,704
Public Safety	1,832,108	456,436			632,108	1,486,436
Public Works	1,018,311	1,210,002			818,323	1,210,002
Culture and Recreation	494,523	441,908			494,523	440,986
Economic Development	576,272	527,000			76,272	557,399
Interest on Long-Term Debt	158,168	274,556			38,168	204,655
Electric			5,951,238	4,801,558	6,061,576	5,480,000
Water			962,841	937,322	937,322	937,322
Wastewater			1,241,946	1,234,080	248,748	1,234,080
Liquor Store			1,815,758	1,462,805	615,786	1,462,805
Telecom			2,984,822	2,868,895	564,822	2,868,895
Airport			332,522	311,367	332,522	311,367
Multi-Purpose			274,461	174,812	324,461	174,812
River Bluff Townhomes			76,330	80,641	6,338	85,641
Windom Area Hospital			14,878,040	14,880,000	14,880,000	14,880,000
Total Expenses	\$ 4,187,732	\$ 4,717,317	\$ 28,544,048	\$ 27,086,238	\$ 27,731,888	\$ 27,426,699
Increase in Net Position:						
Total Expenses	508,738	391,000	1,474,290	1,412,701	1,474,290	1,412,701
Before Transfers	267,881	282,886	(387,881)	(882,889)	1,872,326	1,810,378
Transfers	888,897	888,897	1,208,438	1,129,800		
<b>CHANGE IN NET POSITION</b>						
Net Position - Beginning of Year As Previously Stated	16,771,156	16,015,587	3,176,981	(2,020,383)	50,563,140	28,119,070
Change in Accounting Principle	(876,921)		(1,346,386)		(2,223,307)	
Correction of an Error					20,829,786	20,829,786
Net Position - Beginning of Year, As Restated	\$ 15,894,235	\$ 16,015,587	\$ 1,830,595	\$ (2,020,383)	\$ 28,369,619	\$ 28,948,856
<b>NET POSITION - END OF YEAR</b>	\$ 16,061,132	\$ 15,727,262	\$ 13,842,033	\$ 10,778,881	\$ 16,141,409	\$ 15,953,142

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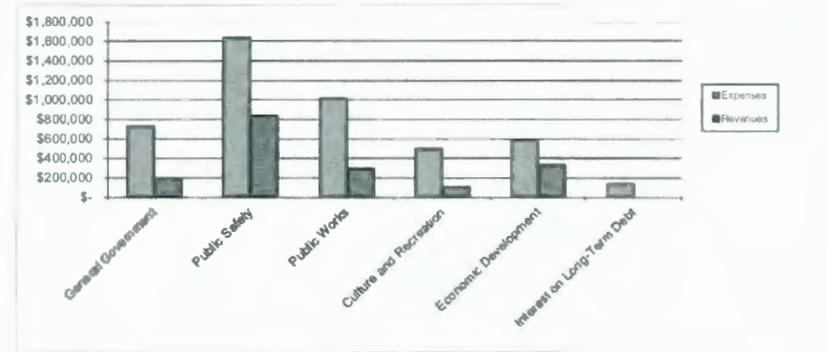
**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

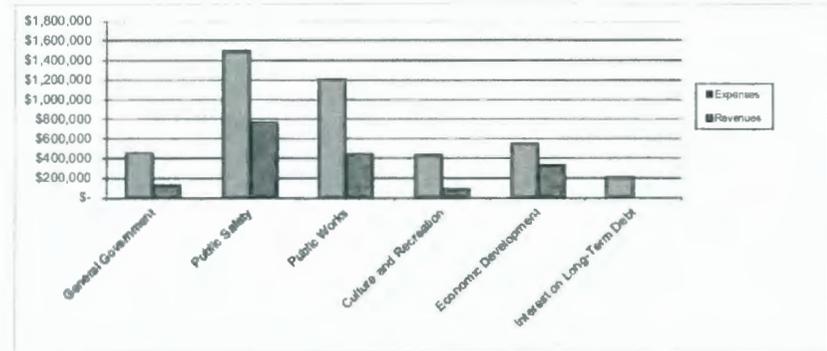
**City of Windom's Changes in Net Position (Continued)**

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**2015  
Expenses and Program Revenues-Governmental Activities**



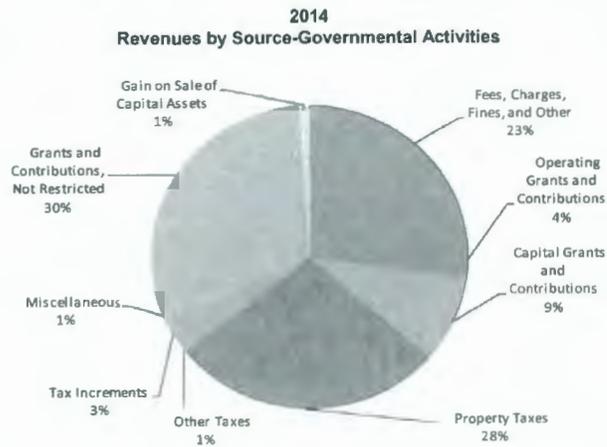
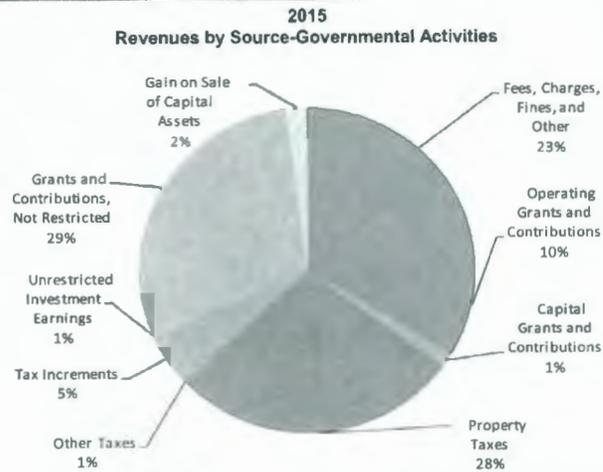
**2014  
Expenses and Program Revenues-Governmental Activities**



CITY OF WINDOM, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Windom's Changes in Net Position (Continued)



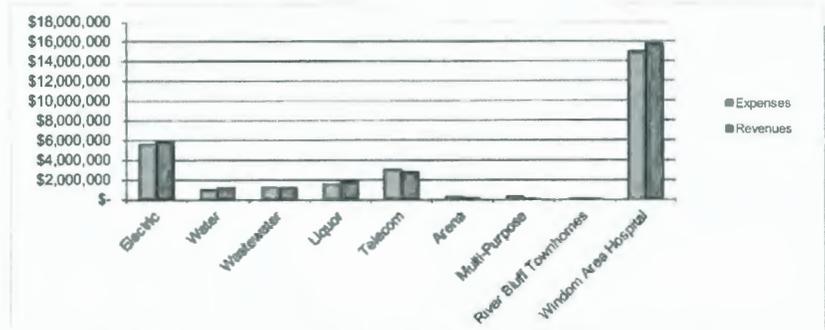
CITY OF WINDOM, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

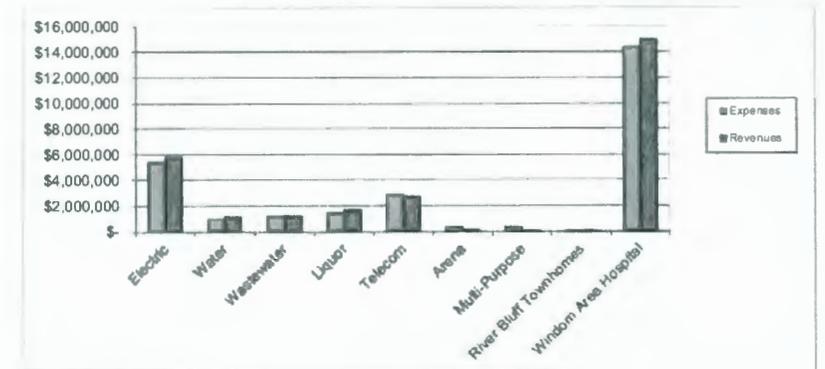
City of Windom's Changes in Net Position (Continued)

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

**2015**  
**Expenses and Program Revenues – Business-Type Activities**



**2014**  
**Expenses and Program Revenues – Business-Type Activities**



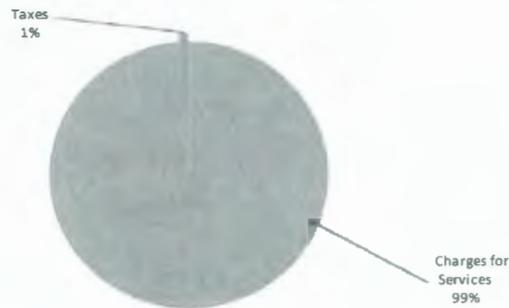
CITY OF WINDOM, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2015

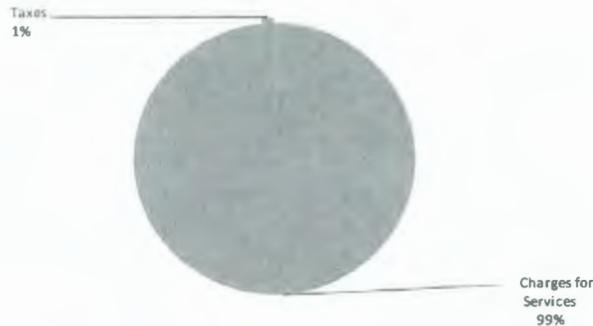
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Windom's Changes in Net Position (Continued)

2015  
 Revenues by Source – Business-Type Activities



2014  
 Revenues by Source – Business-Type Activities



Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in revenues in the above charts.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City of Windom'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 of Windom's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Windom's governmental funds reported combined ending fund balances of \$7,486,104 a decrease of (\$880,239) in comparison with 2014. The City reported an unassigned fund balance in the amount of \$1,825,516. Fund balance of \$33,306 is nonspendable and \$2,371,027 restricted to indicate that it is not available for new spending. At December 31, 2015 fund balances were as follows:

	Balance	Increase (Decrease) From 2014
General Fund	\$ 2,598,018	\$ (232,660)
Economic Development Fund	1,372,769	(134,420)
Other Governmental Funds	2,481,380	(513,159)
<b>Total</b>	<b>\$ 6,452,167</b>	<b>\$ (880,239)</b>

The general fund is the chief operating fund of the City of Windom. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,309,208.

During the current fiscal year, the City of Windom's general fund balance decreased by (\$232,660). The decrease was a result of using reserve funds to self-finance a large equipment purchase as well as forward funding engineering costs related to Emergency Services Facility project. The City plans to reimburse the general fund for these cash outlays in future years.

The decrease in the economic development fund balance was related to use of funds on the extension of Commerce Boulevard in the North Windom Industrial Park as well as use of remaining balances in decertified TIF districts for qualified projects.

The decrease in fund balance in the other governmental funds was due to use of bond refunding funds received in prior years to payoff remaining principal on the 2007B bond that was refunded with 2012A bonds issued during 2012.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Proprietary Funds**

The City of Windom's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the electric fund at the end of 2015 was \$9,585,957, of which \$5,828,189 is unrestricted. Net position decreased (\$263,467) during the current year primarily due to the prior period adjustment of (\$352,079) to recognize net pension liability attributed to prior years expenses.

The water fund has total net position of \$3,771,483, of which \$596,734 is unrestricted. The increase in net position of \$423,330 was related to a 2015 rate increase to meet future debt service payments and increased commercial water revenue from a large industrial customer.

The wastewater fund has total net position of \$4,436,628, of which \$526,407 is unrestricted. The net position of the wastewater fund decreased by (\$426,402) during 2015. This decrease is mostly related to reduction in revenue as a result of closing of the PM Windom facility. Also contributing to the decrease was a transfer of funds from the wastewater fund to the water fund of \$275,514 for ½ of water meter replacement costs incurred during 2015.

The liquor fund has total net position of \$1,082,574. It has unrestricted net position of \$929,221. The prior period adjustment for net pension liability of (\$127,738) almost completely offset the contribution to net position from daily operations of \$128,631.

The telecom fund reported a deficit net position of (\$8,535,839), a decrease from 2014 by \$491,781. The prior period adjustment for net pension liability of (\$308,244) is the majority of the decrease. Also contributing to the decrease were increased expenses for data and video services. The telecom fund increased their service rates in the middle of 2015 to cover cost increases and recapture margin on their services. Rates will be reviewed annually or more frequently as needed to retain margin on services in the telecom fund.

The hospital fund has total net position of \$22,146,785. The net position for the hospital fund increased \$863,218 during 2015.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were over budget due mainly to one time street assistance funds received from the state as well as receipt of supplemental state aid payments for fire and police that were not planned. Expenditures came in over budget due to self-funding of a large equipment purchase as well as forward funding of engineering costs related to Emergency Services Facility project.

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**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Windom's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$47,570,044 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment, office equipment and furniture, and construction in progress. The total increase in the City of Windom's investment in capital assets (net of accumulated depreciation) was \$3,466,761 when compared to 2014. Detailed information about the City's capital assets is presented in the notes to the financial statements.

**CITY OF WINDOM'S CAPITAL ASSETS  
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 232,961	\$ 232,961	\$ 519,018	\$ 519,018	\$ 751,979	\$ 751,979
Buildings and Building Improvements	7,060,062	7,268,435	21,452,624	22,420,596	28,512,686	29,889,031
Infrastructure	7,282,117	7,240,288	-	-	7,282,117	7,240,288
Machinery and Equipment	1,575,597	1,047,425	5,075,630	4,989,062	6,651,227	6,036,487
Office Equipment and Furniture	61,766	74,846	159,815	139,146	221,581	213,992
Construction in Progress	-	-	4,150,454	171,506	4,150,454	171,506
Total	\$ 16,212,503	\$ 15,863,955	\$ 31,357,541	\$ 28,239,328	\$ 47,570,044	\$ 44,103,283

**Long-Term Debt**

At the end of the current fiscal year, the City of Windom had total long-term debt outstanding of \$28,516,535. The City of Windom's total long-term debt increased by \$2,844,656 or 11.1% during the current fiscal period. Detailed information about the City's debt and other long-term liabilities is presented in the notes to the financial statements.

The City of Windom maintained an A+ rating from Standard & Poor's for general obligation debt

**CITY OF WINDOM'S OUTSTANDING DEBT  
(General Obligation)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. Bonds	\$ 5,625,000	\$ 6,801,000	\$ 2,320,000	\$ 2,759,000	\$ 7,945,000	\$ 9,560,000
Revenue Bonds	-	-	19,176,782	14,572,400	19,176,782	14,572,400
Notes Payable	388,079	464,503	1,006,674	1,074,976	1,394,753	1,539,479
Total	\$ 6,013,079	\$ 7,265,503	\$ 22,503,456	\$ 18,406,376	\$ 28,516,535	\$ 25,671,879

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The electric utility completed a retail electric rate study in 2015 sponsored by CEMPA. The study evaluated the costs of serving each customer class and proposed rates for all classes. This study will also compare Windom's rates to other utilities and provide benchmarking information in several areas such as cash reserves, transfers, line loss and rate design. The Electric rates were increased 3.5% in 2015 and rate classes adjusted according to the recommendations presented in the rate study.
- In December 2015, PM Windom closed its facility. PM Windom was a significant user of utility services and as a result electric, water, and wastewater will sustain significant reductions in revenue in the future. In response the City's Utility Commission passed an increase to the wastewater rates to insure fund stability and also incorporated the PM Windom closure into the electric rate study completed during 2015.
- Increased programming expenses for video and bandwidth transport costs in the telecom fund resulted in higher costs for the system. New packages were formed and implemented in mid-2015 with the intent to have the telecom fund break-even for video services. Continued system improvements and cost-benefit analysis along with annual pricing changes are planned to make the fund self-supporting for the long-term.
- Interest rates have remained low and the City's investment earnings have decreased accordingly.
- Previously the EDA contracted the completion of a hotel feasibility study for the City of Windom. The EDA has a signed purchase agreement with a hotel developer and two more developers in the queue if the first proposed project fails to get started. The EDA will continue to work with these prospective developers on a potential project.
- The EDA partnered with HRA and Minnesota Housing Finance Agency to complete 2014 Windom Housing Study. The EDA has provided the report to several potential housing developers and has maintained contact with the potential developers through the present time. In addition, the City has a partnership with the Windom Area School District to develop single-family lots on excess property owned by the school. The Prairie Meadow subdivision is planned to have the first 10 lots available in Spring 2016.
- The City of Windom continues to move ahead with a possible facility construction project for Emergency Services (Fire and Ambulance). The City is working to secure state bonding funds for the proposed \$4.5 million project.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Windom's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Windom, 444 9<sup>th</sup> Street, P.O. Box 38, Windom, Minnesota, 56101.

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	2015			April 30, 2015
	Governmental Activities	Business-Type Activities	Total	Windom Area Hospital Foundation
<b>ASSETS</b>				
Cash and Investments	\$ 5,093,164	\$ 16,554,575	\$ 21,647,739	\$ 199,677
Cash and Investments with Fiscal Agent	-	8,819,707	8,819,707	-
Restricted Cash and Investments	-	405,933	405,933	106,675
Taxes Receivable	56,354	-	56,354	-
Special Assessments Receivable	1,064,144	256,740	1,320,884	-
Accounts Receivable	433,679	3,572,613	4,006,292	-
Due from Other Governments	42,896	-	42,896	-
Internal Balances	(11,200)	11,200	-	-
Inventory	22,306	916,078	938,384	-
Prepaid Items	11,000	173,471	184,471	-
Loans Receivable	63,191	-	63,191	-
Land Held for Resale	970,746	-	970,746	-
Net Pension Asset	314,040	-	314,040	-
Capital Assets:				
Land and Construction in Progress	232,961	4,669,472	4,902,433	-
Other Capital Assets, Net of Depreciation	15,979,542	26,688,069	42,667,611	-
<b>Total Assets</b>	<b>24,272,823</b>	<b>62,079,335</b>	<b>86,352,158</b>	<b>306,352</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	246,720	201,434	448,154	-
<b>LIABILITIES</b>				
Accounts and Contracts Payable	91,995	2,716,826	2,808,821	-
Other Accrued Liabilities	109,122	912,530	1,021,652	-
Accrued Interest Payable	58,691	58,689	117,380	-
Unearned Revenue	202	462,010	462,212	-
Long-Term Liabilities:				
Due within One Year	1,008,079	1,203,547	2,211,626	-
Due in More than One Year	5,324,406	21,693,989	27,018,395	-
Net Pension Liability	1,280,946	1,442,903	2,723,849	-
<b>Total Liabilities</b>	<b>7,873,441</b>	<b>28,490,494</b>	<b>36,363,935</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	83,967	150,251	234,218	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	10,493,304	8,941,651	19,434,955	-
Restricted for:				
Specific Donor Restriction	82,120	-	82,120	106,675
Debt Service	1,027,028	400,678	1,427,706	-
Construction	-	8,419,029	8,419,029	-
Unrestricted	4,959,683	15,878,666	20,838,349	199,677
<b>Total Net Position</b>	<b>\$ 16,562,135</b>	<b>\$ 33,640,024</b>	<b>\$ 50,202,159</b>	<b>\$ 306,352</b>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	2015			
	Expenses	Program Revenues Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities:</b>				
General Government	\$ 730,351	\$ 89,926	\$ 76,773	\$ 25,617
Public Safety	1,632,108	701,178	130,039	-
Public Works	1,018,331	178,326	95,044	22,300
Culture and Recreation	494,523	88,039	16,998	-
Economic Development	576,272	104,744	199,500	25,637
Interest on Long-Term Debt	136,168	-	-	-
Total Governmental Activities	<u>4,587,753</u>	<u>1,162,213</u>	<u>518,354</u>	<u>73,554</u>
<b>Business-Type Activities:</b>				
Electric	5,661,539	5,905,526	-	-
Water	963,641	1,279,949	-	25,569
Wastewater	1,248,946	1,192,113	-	20,584
Liquor	1,615,796	1,810,485	-	-
Telecom	2,984,822	2,801,140	-	-
Arena	332,502	142,975	-	-
Multi-Purpose Center	324,461	84,228	-	-
River Bluff Townhomes	76,338	91,884	-	-
Windom Area Hospital	14,936,050	15,768,268	-	2,500
Total Business-Type Activities	<u>28,144,095</u>	<u>29,076,568</u>	<u>-</u>	<u>48,653</u>
<b>Total Primary Government</b>	<u>\$ 32,731,848</u>	<u>\$ 30,238,781</u>	<u>\$ 518,354</u>	<u>\$ 122,207</u>
<b>Component Unit</b>				
Windom Area Hospital Foundation	<u>\$ 28,522</u>	<u>\$ -</u>	<u>\$ 63,623</u>	<u>\$ -</u>

**General Revenues:**

<b>Taxes:</b>
Property Taxes, Levied for General Purpose
Tax Increments
Other Taxes
Grants and Contributions not Restricted to Specific Programs
Unrestricted Interest Income
Unrestricted Investment Earnings (Loss)
Loss on Sale of Capital Assets
Gain on Sale of Land Held for Resale
Miscellaneous
Transfers
Total General Revenues and Transfers

**Change in Net Position**

Net Position - Beginning of Year, As Previously Stated
Change in Accounting Principle
Correction of Error
Net Position - Beginning of Year, As Restated

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.

2015

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	April 30, 2015 Window Area
\$ (538,035)	\$ -	\$ (538,035)	\$ -
(800,891)	-	(800,891)	-
(722,661)	-	(722,661)	-
(389,486)	-	(389,486)	-
(246,391)	-	(246,391)	-
(136,168)	-	(136,168)	-
<u>(2,833,632)</u>	<u>-</u>	<u>(2,833,632)</u>	<u>-</u>
-	243,987	243,987	-
-	341,877	341,877	-
-	(36,249)	(36,249)	-
-	194,689	194,689	-
-	(183,682)	(183,682)	-
-	(189,527)	(189,527)	-
-	(240,233)	(240,233)	-
-	15,546	15,546	-
-	834,718	834,718	-
<u>-</u>	<u>981,126</u>	<u>981,126</u>	<u>-</u>
(2,833,632)	981,126	(1,852,506)	-
-	-	-	35,101
1,377,779	362,860	1,740,639	-
254,905	-	254,905	-
27,236	-	27,236	-
1,442,062	70,075	1,512,137	-
32,190	99,837	132,027	-
(5,089)	(16,905)	(21,994)	-
-	(22,703)	(22,703)	-
102,585	-	102,585	-
-	-	-	1,674
267,861	(267,861)	-	-
<u>3,499,529</u>	<u>225,303</u>	<u>3,724,832</u>	<u>1,674</u>
<u>665,897</u>	<u>1,206,429</u>	<u>1,872,326</u>	<u>36,775</u>
16,773,159	12,496,414	29,269,573	269,577
(876,921)	(1,346,386)	(2,223,307)	-
-	21,283,567	21,283,567	-
<u>15,896,238</u>	<u>32,433,595</u>	<u>48,329,833</u>	<u>269,577</u>
<u>\$ 16,562,135</u>	<u>\$ 33,640,024</u>	<u>\$ 50,202,159</u>	<u>\$ 306,352</u>

**CITY OF WINDOM, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2015**

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,140,280	\$ 174,617	\$ 2,752,261	\$ 5,067,158
Property Taxes Receivable	56,354	-	-	56,354
Special Assessments Receivable:	-	46,823	1,017,321	1,064,144
Accounts Receivable	60,897	199,500	216,178	476,575
Due from Other Funds	483,692	-	-	483,692
Inventory	22,306	-	-	22,306
Prepaid Expenses	1,000	10,000	-	11,000
Loans Receivable, Net of Allowance	-	63,191	-	63,191
Land Held for Resale	-	970,746	-	970,746
	<u>\$ 2,764,529</u>	<u>\$ 1,464,877</u>	<u>\$ 3,985,760</u>	<u>\$ 8,215,166</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 88,439	\$ 3,986	\$ 2,874	\$ 95,299
Other Accrued Liabilities	44,829	30,099	4,884	79,812
Due to Other Funds	-	-	483,692	483,692
Interfund Advance Payable	-	11,200	-	11,200
Unearned Revenue	202	-	-	202
Total Liabilities	<u>133,470</u>	<u>45,285</u>	<u>491,450</u>	<u>670,205</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	33,041	46,823	1,012,930	1,092,794
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	23,306	10,000	-	33,306
Restricted	82,120	328,832	926,138	1,337,090
Committed	-	1,033,937	1,658,518	2,692,455
Assigned	183,384	-	380,416	563,800
Unassigned	2,309,208	-	(483,692)	1,825,516
Total Fund Balances (Deficits)	<u>2,598,018</u>	<u>1,372,769</u>	<u>2,481,380</u>	<u>6,452,167</u>
Total Liabilities and Fund Balances	<u>\$ 2,764,529</u>	<u>\$ 1,464,877</u>	<u>\$ 3,985,760</u>	<u>\$ 8,215,166</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

	2015
Total Fund Balance for Governmental Funds	\$ 6,452,167
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	232,961
Buildings and Building Improvements	9,108,427
Machinery and Equipment	7,817,654
Infrastructure	15,748,466
Office Equipment and Furniture	95,918
Less: Accumulated Depreciation	(16,790,923)
Some of the City's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	1,092,794
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.	(58,691)
The City's net pension asset is recorded only on the statement of net position.	314,040
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(5,625,000)
Unamortized Discounts and Premium	(69,870)
Note Payable	(388,079)
Deferred Outflows of Resources - Pensions	246,720
Deferred Inflows of Resources - Pensions	(83,967)
Net Pension Liability	(1,280,946)
Compensated Absences Payable	(249,536)
Total Net Position of Governmental Activities	\$ 16,562,135

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015**

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General Property Taxes	\$ 834,713	\$ 162,965	\$ 367,569	\$ 1,365,247
Tax Increments	-	254,905	-	254,905
Other Taxes	27,236	-	-	27,236
Licenses and Permits	82,161	-	-	82,161
Intergovernmental	1,755,982	223,074	153,121	2,132,177
Special Assessments	-	10,256	-	10,256
Charges for Services	348,857	400	537,857	887,114
Fines and Forfeits	31,862	-	-	31,862
Interest Income	17,941	1,510	12,739	32,190
Investment Earnings (Loss)	(2,371)	(141)	(2,577)	(5,089)
Refunds and Reimbursements	50,185	-	3,900	54,085
Grants and Contributions	20,906	-	4,590	25,496
Miscellaneous	7,702	104,344	-	112,046
Total Revenues	<u>3,175,174</u>	<u>757,313</u>	<u>1,077,199</u>	<u>5,009,686</u>
<b>EXPENDITURES</b>				
Current:				
General Government	390,919	-	-	390,919
Public Safety	1,230,069	-	320,570	1,550,639
Public Works	665,441	-	12,232	677,673
Sanitation	18,867	-	-	18,867
Culture and Recreation	469,288	-	-	469,288
Economic Development	-	481,806	-	481,806
Capital Outlay:				
General Government	32,049	-	-	32,049
Public Safety	489,388	-	-	489,388
Public Works	300,553	-	19,387	319,940
Culture and Recreation	15,671	-	-	15,671
Economic Development	-	389,212	-	389,212
Debt Service:				
Principal	51,455	44,969	1,156,000	1,252,424
Interest and Fiscal Charges	3,134	18,579	150,782	172,495
Total Expenditures	<u>3,666,834</u>	<u>934,566</u>	<u>1,658,971</u>	<u>6,260,371</u>
Revenue Over (Under) Expenditures	(491,660)	(177,253)	(581,772)	(1,250,685)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	245,000	22,776	68,613	336,389
Transfer Out	-	(68,528)	-	(68,528)
Sale of Land Held for Resale	-	88,585	-	88,585
Proceeds from Sale of Fixed Assets	14,000	-	-	14,000
Total Other Financing Sources (Uses)	<u>259,000</u>	<u>42,833</u>	<u>68,613</u>	<u>370,446</u>
<b>NET CHANGE IN FUND BALANCE</b>	(232,660)	(134,420)	(513,159)	(880,239)
Fund Balance - Beginning of Year	<u>2,830,678</u>	<u>1,507,189</u>	<u>2,994,539</u>	<u>7,332,406</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,598,018</u>	<u>\$ 1,372,769</u>	<u>\$ 2,481,380</u>	<u>\$ 6,452,167</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA  
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

	2015
Net Change in Fund Balances-Total Governmental Funds	\$ (880,239)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlays	1,189,722
Depreciation Expense	(841,174)
Pension expenses on the governmental funds are measured by current year employee contributions. Pension expenditures on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.	
	202,376
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Repayment of Bond Principal and Note Payable	1,252,424
Change in Accrued Interest Expense for General Obligation Bonds	33,261
Amortization of Bond Discount/Premium	5,085
Change in delinquent and deferred property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.	
	(272,339)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
	(23,219)
Change in Net Position of Governmental Activities	\$ 665,897

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	2015			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
General Property Taxes	\$ 819,553	\$ 819,553	\$ 834,713	\$ 15,160
Other Taxes	19,500	19,500	27,236	7,736
Licenses and Permits	47,420	47,420	82,161	34,741
Intergovernmental	1,579,947	1,579,947	1,755,982	176,035
Charges for Services	279,600	279,600	348,857	69,257
Fines and Forfeits	26,500	26,500	31,862	5,362
Investment Earnings	400	400	15,570	15,170
Refunds/Reimbursements	37,000	37,000	50,185	13,185
Grants and Contributions	2,000	2,000	20,906	18,906
Miscellaneous	6,000	6,000	7,702	1,702
Total Revenues	<u>2,817,920</u>	<u>2,817,920</u>	<u>3,175,174</u>	<u>357,254</u>
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council:	100,270	100,270	104,048	(3,778)
Financial Administration	168,365	168,365	174,546	(6,181)
Elections	-	-	26	(26)
Building & Zoning	134,775	134,775	130,475	4,300
City Hall	34,040	34,040	33,272	768
Total General Government	<u>437,450</u>	<u>437,450</u>	<u>442,367</u>	<u>(4,917)</u>
Public Safety:				
Police Protection:	1,001,480	1,001,480	927,860	73,620
Fire Protection	141,175	141,175	295,737	(154,562)
Civil Defense	6,425	6,425	4,666	1,759
Animal Control	2,700	2,700	1,806	894
Total Public Safety	<u>1,151,780</u>	<u>1,151,780</u>	<u>1,230,069</u>	<u>(78,289)</u>
Public Works:				
Street Department	559,210	559,210	533,735	25,475
Sanitation	22,000	22,000	18,867	3,133
Airport	94,480	94,480	134,839	(40,359)
Total Public Works	<u>675,690</u>	<u>675,690</u>	<u>687,441</u>	<u>(11,751)</u>
Culture and Recreation:				
Parks	231,045	231,045	202,422	28,623
Library	178,990	178,990	156,819	22,171
Pool	102,695	102,695	110,055	(7,360)
Total Culture and Recreation	<u>512,730</u>	<u>512,730</u>	<u>469,296</u>	<u>43,434</u>
Capital Outlay	279,550	279,550	837,661	(558,111)
Total Expenditures	<u>3,057,200</u>	<u>3,057,200</u>	<u>3,666,834</u>	<u>(609,634)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(239,280)</u>	<u>(239,280)</u>	<u>(491,660)</u>	<u>(252,380)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	-	-	14,000	14,000
Transfer In	245,000	245,000	245,000	-
Total Other Financing Sources (Uses)	<u>245,000</u>	<u>245,000</u>	<u>259,000</u>	<u>14,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 5,720</u>	<u>\$ 5,720</u>	<u>(232,660)</u>	<u>\$ (238,380)</u>
Fund Balance - Beginning of Year			<u>2,830,678</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,598,018</u>	

See accompanying Notes to Financial Statements

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 YEAR ENDED DECEMBER 31, 2015**

<b>ASSETS</b>	<u>Electric</u>	<u>Water</u>	<u>Liquor</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 4,244,995	\$ 583,762	\$ 958,018
Cash and Investments with Fiscal Agent	-	-	-
Restricted Cash and Investments	-	-	-
Accounts Receivable, Net of Allowance	425,009	96,626	15,888
Accrued Interest Receivable	-	-	-
Special Assessments Receivable:		176,665	-
Due from Other Funds	1,543,351	-	-
Interfund Advance	11,200	-	-
Inventory	456,129	28,045	177,115
Prepaid Items	66,667	16,667	-
Total Current Assets	<u>6,747,351</u>	<u>901,765</u>	<u>1,151,021</u>
<b>LONG-TERM ASSETS</b>			
Capital Assets:			
Land, Buildings, Infrastructure and Improvements	8,514,635	7,656,753	362,274
Equipment	<u>2,600,247</u>	<u>3,372,553</u>	<u>92,861</u>
Total Capital Assets	11,114,882	11,029,306	455,135
Less: Allowance for Depreciation	<u>(7,357,554)</u>	<u>(5,518,295)</u>	<u>(301,782)</u>
Total Net Capital Assets	<u>3,757,328</u>	<u>5,511,011</u>	<u>153,353</u>
Total Long-Term Assets	<u>3,757,328</u>	<u>5,511,011</u>	<u>153,353</u>
Total Assets	10,504,679	6,412,776	1,304,374
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	52,675	24,664	19,111
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and Contracts Payable	352,251	8,768	69,988
Accrued Expenses	18,528	6,261	5,335
Due to Other Funds	-	-	-
Accrued Interest	-	20,235	-
Unearned Revenue	90,301	-	-
Bonds Payable - Current Portion	-	391,240	-
Total Current Liabilities	<u>461,080</u>	<u>426,504</u>	<u>75,323</u>
<b>LONG-TERM LIABILITIES</b>			
Compensated Absences - Long-Term	94,149	45,383	14,438
Net Pension Liability	377,318	176,671	136,895
Bonds Payable - Long-Term	-	1,999,002	-
Total Long-Term Liabilities	<u>471,467</u>	<u>2,221,056</u>	<u>151,333</u>
Total Liabilities	932,547	2,647,560	226,656
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	39,290	18,397	14,255
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,757,328	3,174,749	153,353
Restricted for Construction	-	-	-
Restricted for Debt Service	-	-	-
Unrestricted	5,828,189	596,734	929,221
Total Net Position	<u>\$ 9,585,517</u>	<u>\$ 3,771,483</u>	<u>\$ 1,082,574</u>

Wastewater	Telecom	Windom Area Hospital 4/30/2015	Other Proprietary Funds	Total
\$ 655,169	\$ -	\$ 9,765,676	\$ 346,955	\$ 16,554,575
-	-	8,819,707	-	8,819,707
-	405,933	-	-	405,933
160,647	490,988	2,378,331	5,124	3,572,613
-	-	11,477	-	11,477
80,075	-	-	-	256,740
-	-	-	-	1,543,351
-	-	-	-	11,200
-	68,029	186,760	-	916,078
16,667	-	73,470	-	173,471
<u>912,558</u>	<u>964,950</u>	<u>21,235,421</u>	<u>352,079</u>	<u>32,265,145</u>
11,164,549	4,992,796	12,502,828	4,001,922	49,195,757
1,522,216	5,623,450	6,584,932	661,829	20,458,088
<u>12,686,765</u>	<u>10,616,246</u>	<u>19,087,760</u>	<u>4,663,751</u>	<u>69,653,845</u>
<u>(5,144,743)</u>	<u>(7,674,013)</u>	<u>(9,589,301)</u>	<u>(2,710,616)</u>	<u>(38,296,304)</u>
<u>7,542,022</u>	<u>2,942,233</u>	<u>9,498,459</u>	<u>1,953,135</u>	<u>31,357,541</u>
7,542,022	2,942,233	9,498,459	1,953,135	31,357,541
8,454,580	3,907,183	30,733,880	2,305,214	63,622,686
29,603	46,116	-	29,265	201,434
9,596	172,151	2,082,580	21,492	2,716,826
18,279	46,338	802,715	15,074	912,530
-	1,543,351	-	-	1,543,351
38,137	-	-	317	58,689
-	209,909	155,000	6,800	462,010
<u>117,200</u>	<u>460,000</u>	<u>215,000</u>	<u>20,107</u>	<u>1,203,547</u>
<u>183,212</u>	<u>2,431,749</u>	<u>3,255,295</u>	<u>63,790</u>	<u>6,896,953</u>
61,929	81,963	-	75,782	373,644
212,049	330,341	-	209,629	1,442,903
<u>3,568,284</u>	<u>9,610,686</u>	<u>5,331,800</u>	<u>810,573</u>	<u>21,320,345</u>
<u>3,842,262</u>	<u>10,022,990</u>	<u>5,331,800</u>	<u>1,095,984</u>	<u>23,136,892</u>
4,025,474	12,454,739	8,587,095	1,159,774	30,033,845
22,081	34,399	-	21,829	150,251
3,910,221	(7,128,453)	3,951,659	1,122,794	8,941,651
-	-	8,419,029	-	8,419,029
-	-	400,678	-	400,678
<u>526,407</u>	<u>(1,407,386)</u>	<u>9,375,419</u>	<u>30,082</u>	<u>15,878,666</u>
<u>\$ 4,436,628</u>	<u>\$ (8,535,839)</u>	<u>\$ 22,146,785</u>	<u>\$ 1,152,876</u>	<u>\$ 33,640,024</u>

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 YEAR ENDED DECEMBER 31, 2015**

	Electric	Water	Liquor
<b>OPERATING REVENUES</b>			
Sales	\$ -	\$ -	\$ 1,810,485
Costs of Goods Sold	-	-	(1,290,241)
Charges for Services	5,905,526	1,277,793	-
Charges for Materials and Labor	-	2,156	-
Facility Use/Other Revenue	-	-	-
<b>Total Gross Profit and Operating Revenues</b>	<u>5,905,526</u>	<u>1,279,949</u>	<u>520,244</u>
<b>OPERATING EXPENSES</b>			
Cost of Power	4,185,571	-	-
Personal Services	482,008	284,360	202,069
Other Professional Services	-	-	-
Administrative and General	531,368	257,384	105,691
Depreciation and Amortization	462,592	353,934	17,795
Other Operating Expense	-	12,909	-
<b>Total Operating Expenses</b>	<u>5,661,539</u>	<u>908,587</u>	<u>325,555</u>
<b>OPERATING INCOME (LOSS)</b>	243,987	371,362	194,689
<b>OTHER INCOME (EXPENSES)</b>			
Interest Income	56,036	3,617	5,098
Investment Earnings (Loss)	(13,509)	(760)	(1,154)
Interest Expense	-	(55,054)	-
Gain on Sale of Fixed Assets	(22,902)	-	-
Taxes and Special Assessments	-	25,569	-
Contributions and Reimbursements	-	-	-
<b>Total Other Income (Expense)</b>	<u>19,625</u>	<u>(26,628)</u>	<u>3,944</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	263,612	344,734	198,633
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Transfers In	-	275,514	-
Transfers Out	(175,000)	(32,065)	(70,000)
Capital Contributions (Distributions)	-	-	-
<b>Total Contributions and Transfers</b>	<u>(175,000)</u>	<u>243,449</u>	<u>(70,000)</u>
<b>CHANGE IN NET POSITION</b>	88,612	588,183	128,633
Net Position - Beginning of Year, As Previously Stated	9,848,984	3,348,153	1,081,679
Change in Accounting Principle	(352,079)	(164,853)	(127,738)
Net Position - Beginning of Year, As Restated	<u>9,496,905</u>	<u>3,183,300</u>	<u>953,941</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,585,517</u>	<u>\$ 3,771,483</u>	<u>\$ 1,082,574</u>

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Hospital April 30, 2015	Other Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,810,485
-	-	-	-	(1,290,241)
1,192,113	2,801,140	16,125,776	-	27,302,348
-	-	-	-	2,156
-	-	(357,508)	319,087	(38,421)
<u>1,192,113</u>	<u>2,801,140</u>	<u>15,768,268</u>	<u>319,087</u>	<u>27,786,327</u>
-	-	-	-	4,185,571
328,415	489,161	4,202,717	352,113	6,340,843
-	-	4,593,550	-	4,593,550
468,964	1,472,501	5,397,298	259,799	8,493,005
356,686	667,316	742,485	111,349	2,712,157
-	16,223	-	-	29,132
<u>1,154,065</u>	<u>2,645,201</u>	<u>14,936,050</u>	<u>723,261</u>	<u>26,354,258</u>
38,048	155,939	832,218	(404,174)	1,432,069
5,126	70	28,301	1,589	99,837
(1,104)	-	-	(378)	(16,905)
(94,881)	(339,621)	-	(10,040)	(499,596)
-	-	199	-	(22,703)
20,584	-	-	362,860	409,013
70,000	75	-	-	70,075
<u>(275)</u>	<u>(339,476)</u>	<u>28,500</u>	<u>354,031</u>	<u>39,721</u>
37,773	(183,537)	860,718	(50,143)	1,471,790
38,563	-	-	-	314,077
(304,873)	-	-	-	(581,938)
-	-	2,500	-	2,500
<u>(266,310)</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>(265,361)</u>
(228,537)	(183,537)	863,218	(50,143)	1,206,429
4,863,030	(8,044,058)	21,283,567	1,398,626	33,779,981
(197,865)	(308,244)	-	(195,607)	(1,346,386)
<u>4,665,165</u>	<u>(8,352,302)</u>	<u>21,283,567</u>	<u>1,203,019</u>	<u>32,433,595</u>
<u>\$ 4,436,628</u>	<u>\$ (8,535,839)</u>	<u>\$ 22,146,785</u>	<u>\$ 1,152,876</u>	<u>\$ 33,640,024</u>

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2015**

	Electric	Water	Liquor
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers and Service Users	\$ 6,124,521	\$ 1,299,130	\$ 1,821,616
Cash Paid to Suppliers	(4,744,739)	(314,808)	(1,410,201)
Cash Paid to Employees	(490,500)	(276,334)	(214,110)
Net Cash Provided (Used) by Operating Activities	<u>889,282</u>	<u>707,988</u>	<u>197,305</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers (In) Out	(175,000)	243,449	(70,000)
Interfund Advance	10,508	-	-
Due to Other Funds	(26,023)	-	-
Property Tax Revenues	-	25,569	-
Payments from Escrow Account	-	127,535	-
Intergovernmental Revenues	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(190,515)</u>	<u>396,553</u>	<u>(70,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Bonds	-	-	-
Capital Grants and Contributions	-	-	-
Acquisition and Construction of Capital Assets	(622,834)	(669,693)	(10,768)
Interest Paid on Revenue Bonds	-	(61,055)	-
Principal Payments on Bonds and Notes	-	(577,099)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(622,834)</u>	<u>(1,307,847)</u>	<u>(10,768)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Investments	-	-	-
Sale of Investments	-	-	-
Expenses Paid on Behalf of Related Party	-	-	-
Transfer from (to) Related Party	-	-	-
Investment Income (Loss)	42,527	2,857	3,944
Net Cash Provided (Used) by Investing Activities	<u>42,527</u>	<u>2,857</u>	<u>3,944</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	118,460	(200,449)	120,481
Cash and Cash Equivalents - Beginning of Year	<u>4,126,535</u>	<u>784,211</u>	<u>837,537</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,244,995</u>	<u>\$ 583,762</u>	<u>\$ 958,018</u>
<b>NONCASH TRANSACTIONS</b>			
Capitalized Accrued Interest	\$ -	\$ -	\$ -
Capital Asset Additions in Construction Payable	-	-	-
Amortized Bond Issue Costs, Premiums and Discounts	-	(2,177)	-
Total Noncash Investing, Capital and Financing Activities	<u>\$ -</u>	<u>\$ (2,177)</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Hospital April 30, 2015	Other Proprietary Funds	Total
\$ 1,199,766	\$ 2,783,364	\$ 16,597,133	\$ 318,952	\$ 30,144,482
(478,828)	(1,469,751)	(7,661,020)	(242,983)	(16,322,330)
(358,063)	(505,413)	(6,345,804)	(343,663)	(8,533,887)
<u>362,875</u>	<u>808,200</u>	<u>2,590,309</u>	<u>(267,694)</u>	<u>5,288,265</u>
(266,310)	-	-	-	(267,861)
-	-	-	-	10,508
-	26,023	-	-	-
29,536	-	-	362,860	417,965
121,110	(70)	-	-	248,575
70,000	75	-	-	70,075
<u>(45,664)</u>	<u>26,028</u>	<u>-</u>	<u>362,860</u>	<u>479,262</u>
-	-	5,546,800	-	5,546,800
-	-	2,500	-	2,500
(87,568)	(49,677)	(3,550,609)	(61,182)	(5,052,331)
(99,923)	(339,621)	(31,631)	(7,339)	(539,569)
(435,859)	(445,000)	-	(47,570)	(1,505,528)
<u>(623,350)</u>	<u>(834,298)</u>	<u>1,967,060</u>	<u>(116,091)</u>	<u>(1,548,128)</u>
-	-	(17,122,065)	-	(17,122,065)
-	-	8,302,358	-	8,302,358
-	-	(15,697)	-	(15,697)
-	-	15,697	-	15,697
4,022	70	28,301	1,210	82,931
<u>4,022</u>	<u>70</u>	<u>(8,791,406)</u>	<u>1,210</u>	<u>(8,736,776)</u>
(302,117)	-	(4,234,037)	(19,715)	(4,517,377)
<u>957,286</u>	<u>-</u>	<u>13,999,713</u>	<u>366,670</u>	<u>21,071,952</u>
<u>\$ 655,169</u>	<u>\$ -</u>	<u>\$ 9,765,676</u>	<u>\$ 346,955</u>	<u>\$ 16,554,575</u>
\$ -	\$ -	\$ 30,437	\$ -	\$ 30,437
-	-	744,046	-	744,046
(5,285)	2,090	-	-	(5,372)
<u>(5,285)</u>	<u>\$ 2,090</u>	<u>\$ 774,483</u>	<u>\$ -</u>	<u>\$ 769,111</u>

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2015**

<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>Electric</u>	<u>Water</u>	<u>Liquor</u>
Operating Income (Loss)	\$ 243,987	\$ 371,362	\$ 194,689
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Provision for Bad Debts	-	-	-
Depreciation and Amortization	462,592	353,934	17,795
Pension Adjustments	11,854	5,551	4,301
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	219,650	19,181	11,131
(Increase) Decrease in Accrued Interest Receivable	-	-	-
(Increase) Decrease in Prepaid Items	(66,667)	(16,667)	-
(Increase) Decrease in Inventory	67,005	1,273	(19,282)
Increase (Decrease) in Accounts and Contracts Payable	(39,992)	4,256	712
Increase (Decrease) in Accrued Expenses	3,119	(38,928)	788
Increase (Decrease) in Due to Other Governments	-	-	-
Increase in Unearned Revenue	(655)	-	-
Increase (Decrease) in Accrued Compensated Absences	(11,611)	8,026	(12,829)
Net Cash Provided (Used) by Operating Activities	<u>\$ 889,282</u>	<u>\$ 707,988</u>	<u>\$ 197,305</u>

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Hospital April 30,2015	Other Proprietary Funds	Total
\$ 38,048	\$ 155,939	\$ 832,218	\$ (404,174)	\$ 1,432,069
-	-	232,605	-	232,605
356,686	667,316	742,485	111,349	2,712,157
6,662	10,380	-	6,586	45,334
7,653	(51,758)	(409,754)	(591)	(204,488)
-	-	5,506	-	5,506
(16,667)	-	-	-	(100,001)
-	-	(35,838)	-	13,158
141	(29,811)	568,339	10,230	513,875
(24,969)	38,404	11,748	6,430	(3,408)
-	4,291	643,000	-	647,291
-	33,982	-	456	33,783
(4,679)	(20,543)	-	2,020	(39,616)
<u>\$ 362,875</u>	<u>\$ 808,200</u>	<u>\$ 2,590,309</u>	<u>\$ (267,694)</u>	<u>\$ 5,288,265</u>

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Windom, located in Cottonwood County in Minnesota, conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of its significant policies.

A. Financial Reporting Entity

As required by GAAP, the financial statements of the reporting entity include those of the City of Windom and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The Economic Development Authority (EDA) of Windom is an entity legally separate from the City. However, for financial reporting purposes, the EDA is reported as if it were part of the City's operations (blended component unit) because the EDA provides services primarily to the City of Windom and the City Council appoints the EDA's board members.

The Housing and Redevelopment Authority of Windom, Minnesota (HRA) is an entity legally separate from the City. The HRA is responsible for administering affordable housing programs for eligible individuals and families in Windom. The City's officials are responsible for appointing members to the HRA's board of commissioners, but the City's accountability for the HRA does not extend beyond making the appointments. The HRA is therefore not considered to be a part of the City's financial reporting entity.

Component Units

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Unit

The Windom Area Hospital (WAH) is a 25-bed acute care hospital and is an entity legally separate from the City. The purpose of the WAH is to provide hospital services. The WAH is comprised of the primary hospital enterprise and the Windom Area Hospital Foundation, which is a component unit of the hospital.

For financial reporting purposes, due to the different reporting focuses, the Hospital is reported separately from the Windom Area Hospital Foundation (the Foundation). The Foundation is a 501(c)(3) organization whose sole purpose is to support the Hospital. Windom Area Hospital Foundation conducts fundraising campaigns on behalf of the Hospital.

For financial reporting purposes, the WAH is reported as if it were part of the City's operations because the City Council is the governing board for the WAH. Separately issued financials statements are available by contacting WAH.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Other Organizations

The Windom Fire Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with *Minnesota Statutes*. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable *Minnesota Statutes*, whereby state aids flow to the Association, tax levies are determined by the Association, and are only reviewed by the City and the Association pays benefits directly to its members. The Association may certify tax levies to the county directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the general fund under public safety.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

General Fund

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

Economic Development Fund

The Economic Development Fund accounts for financial resources to be used for the growth and development of commercial, residential, industrial concerns, and tax increment financing activity in the City. Revenues for the Economic Development Fund are generated primarily from bond proceeds, local property taxes, state aid and grants, and rental income.

The City reports the following major proprietary funds:

Electric Fund

The Electric Fund accounts for customer electric service charges that are used to finance electric operating expenses.

Water Fund

The Water Fund accounts for customer water service charges that are used to finance water operating expenses.

Liquor Fund

The Liquor Fund accounts for customer sales that are used to finance liquor store operating expenses and provide funds for general operations of the City.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Wastewater Fund

The Wastewater Fund accounts for customer sewer service charges that are used to finance sewer operating expenses.

Windom Area Hospital Fund

The Hospital Fund (Hospital) is used to account for customer charges that are used to finance the hospital's operating expenses.

Telecom Fund

The Telecom Fund accounts for the operation of a broadband communications system.

Fiduciary Fund

Private-Purpose Trust Funds

The private-purpose trust funds account for contributions received, invested and expended for various specified purposes.

C. Measurement Focus and Basis of Accounting

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

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

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (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 in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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 proprietary funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Windom Area Hospital Fund reports in accordance with the *Audit and Accounting Guide for Health Care Organizations* published by the American Institute of Certified Public Accountants which prescribes accounting and reporting policies, some of which are unique to providers of health care services.

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriation budgets are adopted in the General Fund. Budgeted amounts are reported as originally adopted, or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets (Continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.

5. Budgets are adopted on a basis consistent with GAAP. Budgeted amounts presented are as originally adopted, and final as amended.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

1. Cash and Investments

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund in the governmental fund financial statements, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund payables are eliminated for statement of net position presentation.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

2. Cash and investments with Fiscal Agent

At December 31, 2015, cash and investments with a fiscal agent consisted of commercial paper held by US Bank for the purpose of the project and reserve fund for the Revenue Hospital Bonds, Series 2014A.

3. Restricted Cash and Investments

At December 31, 2015, restricted cash and investments consisted of Minnesota Municipal Money Market held by 4M Plus Fund. These assets are for a debt service reserve fund required under a bond agreement.

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)

4. Property Tax Revenue Recognition

Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing entities three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable revenue in the governmental funds because it is not available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements.

5. Special Assessment Revenue Recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year.

Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by unavailable revenues. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)

5. Special Assessment Revenue Recognition (Continued)

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

6. Accounts Receivable and Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable are established when City management believes that some portion of the receivable will not be collected. Management's estimate of the required allowance is based upon historical experience and analysis of receivables on a specific identification basis.

The Hospital provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectibility based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the Hospital. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At April 30, 2015, the allowance for uncollectible accounts was approximately \$392,000.

7. Utility Billing

The City bills customers monthly for the following utility services: electric, sewer, and water. The City bills and recognizes the electric, sewer, and water services revenue when the meters are read. Telecommunications are also billed monthly.

8. Inventories

Inventories are valued at cost, which approximates fair value, using the first-in/first out method.

9. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. The prepaid expenditure balances included in the financial statements represent down payments on equipment purchases to be completed in subsequent years.

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)

**10. Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as interfund receivables and payables on the governmental fund balance sheets.

**11. Land Held for Resale**

These assets are recorded at the lower of original cost or current net realizable value in the governmental fund, which purchased them.

**12. Capital Assets**

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated fair value at the time received. In the case of the initial capitalization of infrastructure, the City retroactively implemented the reporting of this item when GASB 34 was implemented. The City and the Hospital use a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes. Useful lives for the City vary from 3 years for Computer Equipment; 5 to 15 years for Office Furnishings, Machinery, and Equipment; 20 to 50 years for Buildings and Other Improvements and Infrastructure.

Useful lives for the Hospital vary from 8 to 20 years for land improvements, 10 to 40 years for buildings, 5 to 20 years for fixed equipment, and 3 to 20 years for moveable equipment. Capital assets not being depreciated include land and construction in progress.

Property, plant and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated fair value at the time received.

CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)

**13. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The portion of vacation pay and sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

**14. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense associated with the City's requirement to contribute to the Windom Fire Department Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments and (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**15. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issue costs are expensed in the year of issuance.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as another financing source. Premiums and discounts received on debt issuances are reported as other financing sources and uses, respectively. Bond issuance costs are reported as debt service expenditures.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)

**16. Deferred Outflows of Resources**

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Notes 6 and 10 to the financial statements.

**17. Deferred Inflows of Resources**

The City's governmental fund and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The city does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year. The second type of deferred inflow of resources relates to pension activity as described in Notes 6 and 10.

**18. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statements of net position and statements of activities.

**19. Net Position**

In the government-wide financial statements and in the proprietary fund level statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the City reports all capital assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances (Continued)

**20. Fund Balance**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaid expenditures, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the City Council, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Administrator and the Assistant City Administrator to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**CITY OF WINDOM, MINNESOTA  
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DECEMBER 31, 2015**

**NOTE 2 DEPOSITS AND INVESTMENTS**

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Investment earnings on cash and pooled investments are credited to all funds based on their cash balances each month. In addition, some funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

**A. Deposits**

In accordance with applicable Minnesota State Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. *Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**Custodial Credit Risk – Deposits** – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the City's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with *Minnesota Statutes*.

**B. Investments**

The City and Hospital may also invest idle funds as authorized by *Minnesota Statutes* as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rated "A" or better;
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories;
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

As of December 31, 2015, the City and the Hospital had the following investments:

**External Investment Pools –**

	Amortized Cost
Minnesota Municipal Money Market Fund	\$ 623,889

The Minnesota Municipal Money Market Fund (4M) is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2a-7. The fair value of the presentation in the pool is the same as the value of the pool shares.

**Other Investments –**

	Fair Value
Federal National Mortgage Association	\$ 14,710
Federal Home Loan Mortgage Corporation	490,588
Total	\$ 505,298

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Type					
Federal National Mortgage Association	\$ 14,710	\$ -	\$ -	\$ -	\$ 14,710
Federal Home Loan Mortgage Corporation	490,588	-	-	490,588	-
Total	\$ 505,298	\$ -	\$ -	\$ 490,588	\$ 14,710

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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Other Investments – (Continued)

**Credit Risk** -- Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The 4M Fund is not rated.

Investment	Credit Rating
Federal National Mortgage Association	Aaa
Federal Home Loan Mortgage Corporation	Aaa

**Concentration of Credit Risk** – The City's investment policy places no limit on the amount that may be invested with any one issuer or depository. The following is a list of investments which individually comprise more than 5% of the City's total investments:

Investment	Amount	Percent
Federal Home Loan Mortgage Corporation	\$ 14,710	2.91%
Federal Home Loan Mortgage Corporation	490,588	97.09%

**Custodial Credit Risk** – Investments – For an investment, this is that risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all balances are insured or collateralized with each investment account.

The deposits and investments are presented in the financial statements as follows

Cash On Hand	\$ 829
Deposits	15,290,400
Money Market Accounts	3,748,697
Certificates of Deposits	11,328,155
Investments	505,298
Total Cash and Investments	<u>\$ 30,873,379</u>

Cash and Investments	\$ 21,647,739
Cash and Investments with Fiscal Agent	8,819,707
Restricted Cash and Investments	405,933
Total Cash and Investments	<u>\$ 30,873,379</u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 232,961	\$ -	\$ -	\$ 232,961
Total Capital Assets, Not Being Depreciated	232,961	-	-	232,961
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Building Improvements	9,070,944	37,483	-	9,108,427
Office Equipment and Furniture	95,918	-	-	95,918
Machinery and Equipment	7,107,837	710,017	-	7,817,854
Infrastructure	15,306,244	442,222	-	15,748,466
Total Capital Assets, Being Depreciated	31,580,743	1,169,722	-	32,750,465
<b>Accumulated Depreciation for:</b>				
Buildings and Building Improvements	(1,802,509)	(245,856)	-	(2,048,365)
Office Equipment and Furniture	(21,072)	(13,080)	-	(34,152)
Machinery and Equipment	(6,060,212)	(181,845)	-	(6,242,057)
Infrastructure	(8,065,956)	(400,393)	-	(8,466,349)
Total Accumulated Depreciation	(15,949,749)	(841,174)	-	(16,790,923)
Total Capital Assets, Being Depreciated, Net	15,630,994	348,548	-	15,979,542
Governmental Activities Capital Assets, Net	<u>\$ 15,863,955</u>	<u>\$ 348,548</u>	<u>\$ -</u>	<u>\$ 16,212,503</u>

Depreciation expense was charged to Governmental Functions as follows.

<b>Governmental Activities:</b>	
General Government	\$ 331,600
Public Safety	159,027
Public Works	268,059
Parks, Culture and Recreation	13,573
Community Development	68,815
Total Depreciation Expense, Governmental Activities	<u>\$ 841,174</u>

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance As Restated	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 519,018	\$ -	\$ -	\$ 519,018
Construction in Progress	171,506	3,978,948	-	4,150,454
Total Capital Assets, Not Being Depreciated	690,524	3,978,948	-	4,669,472
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Building Improvements	44,883,363	630,957	(768,197)	44,526,123
Office Equipment and Furniture	508,777	37,590	-	546,367
Machinery and Shop Equipment	19,408,270	1,211,149	(707,697)	19,911,722
Total Capital Assets, Being Depreciated	64,800,410	1,879,696	(1,475,894)	64,984,212
<b>Accumulated Depreciation for:</b>				
Buildings and Building Improvements	(22,242,787)	(1,598,529)	767,797	(23,073,499)
Office Equipment and Furniture	(369,631)	(16,921)	-	(386,552)
Machinery and Shop Equipment	(14,419,208)	(1,102,082)	685,198	(14,836,092)
Total Accumulated Depreciation	(37,031,606)	(2,717,532)	1,452,995	(38,296,143)
Total Capital Assets, Being Depreciated, Net	27,548,804	(837,836)	(22,899)	26,688,069
Business-Type Activities Capital Assets, Net	\$ 28,239,328	\$ 3,141,112	\$ (22,899)	\$ 31,357,541

Depreciation expense was charged to Business-Type Activities as follows:

<b>Business-Type Activities:</b>	
Electric Fund	\$ 462,592
Water Fund	353,934
Liquor Fund	17,795
Wastewater Fund	362,061
Telecom Fund	867,316
Windom Area Hospital	742,485
Arena Fund	30,268
Multi-Purpose Fund	52,999
River Bluff Townhomes	28,082
Total Depreciation Expense, Business-Type Activities	\$ 2,717,532

**CITY OF WINDOM, MINNESOTA  
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DECEMBER 31, 2015**

**NOTE 4 CITY INDEBTEDNESS**

City indebtedness at December 31, 2015 is composed of the following:

Description	Initial Amount Issued	Maturity Date	Interest Rate	Outstanding Principal
<b>General Obligation Bonds:</b>				
<b>Governmental Activities:</b>				
GO Improvement Refunding Bonds, Series 2006A	\$ 713,000	2018	3 70-4.15%	\$ 180,000
GO Improvement Bonds, Series 2009A	1,510,000	2025	2 00-4.25%	1,090,000
GO Improvement Refunding Bonds, Series 2011B	795,000	2019	0 50-1.85%	470,000
GO Refunding Bonds, Series 2012A	980,000	2023	0 55-2.20%	870,000
GO Improvement Bonds, Series 2013A	2,590,000	2034	2 00-3.50%	2,465,000
GO Equipment Bonds, Series 2013B	815,000	2023	0 70-1.90%	550,000
Total Governmental Activities - G.O. Bonds	8,173,000			5,625,000

<b>Business-Type Activities:</b>				
GO Improvement & Refunding Bonds, Series 2006A	227,000	2016	3 75-4.05%	35,000
GO Refunding Bonds, Series 2012A	660,000	2023	0 55-2.20%	550,000
GO Improvement Bonds, Series 2013A	1,810,000	2034	2 00-3.50%	1,735,000
Total Business-Type Activities - G.O. Bonds	3,107,000			2,320,000
Total General Obligation Bonds	\$ 11,280,000			\$ 7,945,000

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
<b>Note Payable:</b>				
<b>Governmental Activities:</b>				
Street Shop - League of Minnesota Cities	\$ 250,000	2016	3.00%	\$ 53,010
Economic Development - Fulda Area Credit Union	442,098	2016	4.40%	335,069
Total Notes Payable	692,098			388,079

<b>Business-Type Activities:</b>				
River Bluff Townhomes - Bank of the West	488,847	2031	2.01%	344,736
River Bluff Townhomes - MHFA	353,305	2031	0.00%	353,305
River Bluff Townhomes - GMHF	180,000	2031	0.00%	132,300
River Bluff Townhomes - PM Windom	15,000	2015	0.00%	-
River Bluff Townhomes - Toro Foundation	15,000	2015	0.00%	-
Water Purchase - Red Rock Rural Water System	230,000	2023	0.00%	176,333
	1,282,152			1,006,674
Total Note Payable	\$ 1,974,250			\$ 1,394,753

<b>General Obligation Revenue Bonds:</b>				
<b>Business-Type Activities:</b>				
Communication System Refunding Bonds, Series 2012B	\$ 11,205,000	2032	3.00-3.63%	\$ 10,105,000
GO Water & Sewer Revenue Bonds, 2011A - Water	3,090,000	2029	1 00-4.00%	3,020,000
GO Revenue Bonds, 1999	3,151,838	2018	2.57%	126,782
GO Water Revenue Bonds, 1999	1,319,714	2019	2.29%	325,000
GO Revenue Hospital Bonds, Series 2014A	5,600,000	2034	1.00-4.15%	5,600,000
Total Business-Type Activities Revenue Bonds	\$ 28,253,522			\$ 19,178,782

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2015:

	Beginning of Year As Restated	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 6,801,000	\$ -	\$ 1,176,000	\$ 5,625,000	\$ 620,000
Bond Subtotal	8,801,000	-	1,176,000	5,625,000	620,000
Bond Premium	74,955	-	5,085	69,870	-
Net Bond Subtotal	6,875,955	-	1,181,085	5,694,870	620,000
Note Payable	484,503	-	76,424	388,079	388,079
Net Pension Liability	1,235,628	45,318	-	1,280,946	-
Compensated Absences	226,317	121,002	97,783	249,536	-
<b>Total Governmental Activities</b>	<b>8,802,403</b>	<b>186,320</b>	<b>1,355,292</b>	<b>7,613,431</b>	<b>1,008,079</b>
<b>Business-Type Activities</b>					
General Obligation Bonds	2,759,000	-	438,000	2,320,000	200,000
General Obligation Revenue Bonds	14,572,400	5,800,000	995,618	19,176,782	980,440
Bond Subtotal	17,331,400	5,800,000	1,434,618	21,496,782	1,160,440
Bond Premium	115,413	-	7,463	107,950	-
Bond Discount	(36,404)	(53,200)	(2,060)	(87,514)	-
Net Bond Subtotal	17,410,409	5,546,800	1,438,991	21,517,218	1,160,440
Notes Payable	1,074,976	-	68,302	1,006,674	43,107
Net Pension Liability	1,411,202	31,701	-	1,442,903	-
Compensated Absences	433,280	124,127	163,743	373,644	-
<b>Total Business-Type Activities</b>	<b>20,309,847</b>	<b>5,702,628</b>	<b>1,672,036</b>	<b>24,340,439</b>	<b>1,203,547</b>
<b>Total Debt</b>	<b>\$ 29,112,250</b>	<b>\$ 5,888,948</b>	<b>\$ 3,027,328</b>	<b>\$ 31,953,870</b>	<b>\$ 2,211,626</b>

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending December 31.	Governmental Activities Long-Term Debt		
	Principal	Interest	Totals
2016	\$ 1,008,079	\$ 136,367	\$ 1,144,466
2017	575,000	117,378	692,378
2018	570,000	105,968	675,968
2019	535,000	94,474	629,474
2020	430,000	83,983	513,983
2021-2025	1,830,000	267,691	2,097,691
2026-2030	725,000	100,725	825,725
2031-2034	340,000	23,275	363,275
<b>Totals</b>	<b>\$ 6,013,079</b>	<b>\$ 929,881</b>	<b>\$ 6,942,960</b>

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

Year Ending December 31.	Business-Type Activities Long-Term Debt		
	Principal	Interest	Totals
2016	\$ 1,203,547	\$ 659,190	\$ 1,862,737
2017	1,191,481	632,498	1,823,959
2018	1,188,836	607,391	1,796,227
2019	1,211,218	580,639	1,791,857
2020	1,157,608	553,149	1,710,757
2021-2025	9,210,501	3,007,143	12,217,644
2026-2030	4,885,171	767,556	5,652,727
2030-2034	2,455,114	85,141	2,540,255
<b>Totals</b>	<b>\$ 22,503,456</b>	<b>\$ 6,892,707</b>	<b>\$ 29,396,163</b>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2015, including interest of \$7,822,588 are as follows:

Year Ending December 31.	Amount
2016	\$ 3,007,203
2017	2,516,337
2018	2,472,195
2019	2,421,331
2020	2,224,740
2021-2025	14,315,335
2026-2030	6,478,452
2031-2034	2,903,530
<b>Total</b>	<b>\$ 36,339,123</b>

In 2012, the City issued \$1,640,000 in General Obligation Refunding Bonds (Series 2012A) for a crossover refunding of the Series 2005A General Obligation Bonds maturing in 2014 through 2021 and of the Series 2007B General Obligation Improvement Bonds maturing in 2016 through 2023. Refunding bond proceeds for the crossover refunding of Series 2005A were placed in an escrow account to be liquidated on the crossover refunding date of February 1, 2013. Refunding bond proceeds for the crossover refunding of Series 2007B were placed in an escrow account to be liquidated on the crossover refunding date of February 1, 2015. The total cash flow savings to the City attributable to the refunding of these bonds is \$42,190 with a net present value of approximately \$35,323.

In 2014, the Hospital issued \$5,600,000 in Gross Revenue Hospital Bonds (Series 2014A) for partial financing of a hospital expansion and renovation project. Principal payments are due annually commencing September 2015 to September 2034 with interest paid semi-annually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds are payable from the gross revenues of the Hospital.

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NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following 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.

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERF for the year ended December 31, 2015, were \$174,770. The contributions were equal to the required contributions as set by state statute.

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NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Contributions)

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$82,258. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$2,098,920 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion share was 0.0405% which was a decrease of .0437% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$242,201 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

GERF Pension Costs

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 105,821
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	198,695	-
Changes in Proportion	-	112,740
Contributions Paid to PERA	-	-
Subsequent to the Measurement Date	94,320	-
Total	\$ 293,015	\$ 218,561

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

\$94,320 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended December 31,	City Pension Expense Amount
2016	\$ (23,180)
2017	(23,180)
2018	(23,180)
2019	49,674

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$624,929 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.055% which was no change from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$107,690 for its proportionate share of the PEPFF's pension expense. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. PEPFF Pension Costs (Continued)

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PEPFF Pension Costs	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Description</u>		
Differences Between Expected and Actual Economic Experience	\$ -	\$ 101,343
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	108,884	-
Changes in Proportion Contributions Paid to PERA	-	-
Subsequent to the Measurement Date	46,255	-
Total	<u>\$ 155,139</u>	<u>\$ 101,343</u>

\$46,255 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	City Pension Expense Amount
2016	\$ 6,952
2017	6,952
2018	6,952
2019	6,952
2020	(20,267)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Salary Increases	3.50%, Average, Including Inflation
Investment Rate of Return	7.90%, Net of Pension Plan Investment Expense

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E Actuarial Assumptions (Continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	<u>100%</u>	

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NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease (6.9%)	Current Discount Rate (7.9%)	1% Increase (8.9%)
City's Proportionate Share of the GERP Net Pension Liability	\$ 3,300,249	\$ 2,098,920	\$ 1,106,807
City's Proportionate Share of the PEPFF Net Pension Liability	1,217,993	624,929	134,955

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN

1. Plan Description

Ambulance service personnel of the City of Windom are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

1. Plan Description (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually. Total contributions made by the City of Windom during fiscal year 2015 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 7,632	\$ 7,632	0.051	0.051	0.051

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds.

	Budget	Actual
General Fund	\$ 3,057,200	\$ 3,666,834
Special Revenue Funds:		
Economic Development Fund	504,623	934,566

These additional expenditures were paid for with available fund balance.

B. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2015 as follows:

Governmental Funds:	
4th Ave Improvement Bond Fund	\$ (58,517)
2006A Refunding Bond Fund	(254,778)
2007 Street Improvement Bond Fund	(170,397)
Proprietary Funds:	
Telecom	(8,535,839)
River Bluff Townhomes	(105,581)

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**NOTE 7 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)**

**B Deficit Fund Balances/Net Position (Continued)**

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, charges for services, transfers from other funds, and various other sources.

**NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**A. Due To/From Other Funds**

Individual fund receivable and payable balances at December 31, 2015 are as follows

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds	Description
General Fund	\$ 483,692	\$ -	Eliminate Deficit Cash
Other Governmental Funds	-	483,692	Eliminate Deficit Cash
Proprietary Funds:			
Electric Fund	1,554,551	-	Eliminate Deficit Cash
Telecom Fund	-	1,554,551	Eliminate Deficit Cash
Total Due To/From	<u>\$ 2,038,243</u>	<u>\$ 2,038,243</u>	

All of the Due From/Due to Other Funds balances are expected to be repaid in future years.

**B. Advances To/From Other Funds**

Fund	Advances To Other Funds	Advances From Other Funds
Economic Development Fund	\$ -	\$ 11,200
Proprietary Funds:		
Electric Fund	11,200	-
Total Advances	<u>\$ 11,200</u>	<u>\$ 11,200</u>

The advance in the amount of \$11,200 represents expenses to make improvements to the spec building incurred by the Economic Development Fund payable to the Electric Fund.

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**NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

**C. Transfers**

Transfers between funds during 2015 are as follows:

	Transfer In	Transfer Out	Description
<b>Major Governmental Funds</b>			
General Fund	\$ 245,000	\$ -	Annual Contribution
Economic Development Fund	22,776	-	BDPI matching requirement
Economic Development Fund	-	38,563	Funding for Sewer Line Improvement
Economic Development Fund	-	29,965	Transfer of Debt Payment
<b>Nonmajor Governmental Funds</b>			
Debt Service Funds:			
2006A Refunding Bond Fund	29,965	-	Transfer of Debt Payment
2009 Street Improvement Bond Fund	38,648	-	Transfer of Debt Payment
<b>Major Enterprise Funds</b>			
Water Utility	275,514	-	Funding for Meter Replacement Costs
Water Utility	-	13,900	BDPI matching requirement
Water Utility	-	18,165	Transfer of Debt Payment
Wastewater Utility	38,563	-	Funding for Sewer Line Improvement
Wastewater Utility	-	275,514	Funding for Meter Replacement Costs
Wastewater Utility	-	8,875	BDPI matching requirement
Wastewater Utility	-	20,484	Transfer of Debt Payment
Electric Utility	-	175,000	Annual Contribution
Liquor	-	70,000	Annual Contribution
Total	<u>\$ 650,466</u>	<u>\$ 650,466</u>	

**NOTE 9 RISK MANAGEMENT**

The City 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.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is a premium option. With this type of coverage, final premiums are based on an experience modification factor that is adjusted annually based on three years of historically data.

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

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**NOTE 9 RISK MANAGEMENT (CONTINUED)**

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**NOTE 10 VOLUNTEER RELIEF ASSOCIATION**

**A. Plan Description**

Firefighters of the City of Windom are members of the Windom Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2014, membership includes 28 active participants and one terminated employee entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

**B. Benefits Provided**

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$2,400 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$2,400 for each year the member was an active member of the City of Windom Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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**NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)**

**B Benefits Provided (Continued)**

*Minnesota Statutes* Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**C. Contributions**

*Minnesota Statutes* Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Windom and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
=	<u>Total Contribution Required</u>

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$42,000 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2015. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2015 was \$0.

**D. Pension Costs**

At December 31, 2015, the City reported an asset of \$314,040 for the Association's net pension asset/liability. The net pension asset/liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$113,398 for the year ended December 31, 2015. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	85,687	-
Changes in Proportion	-	-
Contributions Paid to PERA Subsequent to the Measurement Date	-	-
Total	\$ 85,687	\$ -

The City contributions to the Association subsequent to the measurement date, \$0 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	\$ 21,422
2017	21,422
2018	21,422
2019	21,421

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT	
Valuation Date	12/31/15
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
	Closed
Actuarial Assumptions:	
Discount Rate	6.50%
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	3.57%
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Allocation at December 31, 2015	Long-Term Expected Real Rate of Return
Cash	13.71%	25.00%
Fixed Income	12.31%	1.75%
Equities	73.98%	5.25%
Real Estate	0%	3.75%
Total Portfolio	100%	6.50%

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NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G Pension Liability Sensitivity

The following presents the City of Windom's proportionate share of the net pension liability of the Association, calculated using the discount rate of 6.25%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Net Pension Liability	\$ (298,380)	\$ (314,040)	\$ (329,158)
Discount Rate	5.50%	6.50%	7.50%

H. Plan's Fiduciary Net Position Pension Liability Sensitivity

Detailed information about the pension plan's fiduciary net position is available in a separately-issued financial report that includes financial statements and required supplementary information.

NOTE 11 FUND BALANCE

At December 31, 2015, the City had various fund balances restricted, or assigned through legal restriction and City Council authorization. Major fund balance appropriations at December 31, 2015 are shown on the various balance sheets as segregations of fund balance. The fund balances are as follows:

	General Fund	Economic Development Fund	Other Governmental Funds	Governmental Funds Total
<b>Nonspendable</b>				
Inventory	\$ 22,306	\$ -	\$ -	\$ 22,306
Prepaid Expenses	1,000	10,000	-	11,000
<b>Total Nonspendable</b>	<u>23,306</u>	<u>10,000</u>	<u>-</u>	<u>33,306</u>
<b>Restricted</b>				
Debt Service	-	-	816,388	816,388
Donations for Fire, Well and Park	82,120	-	-	82,120
Tax Increment Funding	-	328,832	-	328,832
Capital Projects	-	-	109,750	109,750
<b>Total Restricted</b>	<u>82,120</u>	<u>328,832</u>	<u>926,138</u>	<u>1,337,090</u>
<b>Committed</b>				
Economic Development	-	1,033,937	-	1,033,937
<b>Assigned</b>				
Ambulance	-	-	1,858,518	1,858,518
Economic Development	-	-	-	-
Airport	52,062	-	-	52,062
Library	95,360	-	-	95,360
Pool	35,962	-	-	35,962
Capital Projects	-	-	380,416	380,416
<b>Total Assigned</b>	<u>183,384</u>	<u>-</u>	<u>2,038,934</u>	<u>2,222,318</u>
<b>Unassigned</b>	<u>2,309,208</u>	<u>-</u>	<u>(483,692)</u>	<u>1,825,516</u>
<b>Total Fund Balance</b>	<u>\$ 2,598,018</u>	<u>\$ 1,372,769</u>	<u>\$ 2,481,380</u>	<u>\$ 6,452,167</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

A. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**B. Electric Power Purchase Agreement**

Under its wholesale power agreement with Western Area Power Administration (WAPA), the city is committed to purchase a portion of its electric power and energysubject to Exhibit A, Contracted Rate of Delivery (CROD) effective through December 31, 2050, unless otherwise terminated.

Under its wholesale power agreement with the Central Minnesota Municipal Power Agency (CMMP A), its Market Participant Agreement and Agreement for Additional Services, the city is committed to purchase the remaining portion of its electric power and energy through CMMP A unless otherwise terminated.

**NOTE 13 RESTATEMENT**

During the year ended December 31, 2015, the City adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown below. The Windom Area Hospital has an April 30<sup>th</sup> fiscal year end and will adopt GASB Statements No. 68 and 71 for its fiscal year ending April 30, 2016.

The following restatements were necessary to correct errors in the previously issued financial statements.

- Business-type activities net position was restated by \$21,283,567 to include the Windom Area Hospital in the City's financial statements.
- Component unit information was restated by \$269,577 to include the Windom Area Hospital Foundation as a discretely-presented component unit in the City's financial statements.

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Position (Liability) Asset	Cumulative Affect of Application of GASB 68 / Deferred Outflow of Resources for Contributions Made After Measurement Period		Net Position As Restated
				Correction of an Error	
Governmental Activities	\$ 16,773,159	\$ (906,390)	\$ 29,489	\$ -	\$ 15,896,238
Business Type Activities	12,496,414	(1,411,202)	64,816	263,567	32,433,595
Electric	9,848,984	(369,028)	16,349	-	9,496,305
Water	346,153	(172,789)	7,936	-	3,183,300
Liquor	1,081,879	(133,567)	5,149	-	953,541
Wastewater	4,663,030	(207,390)	9,525	-	4,665,165
Telecom	(8,044,058)	(323,084)	839	-	(8,362,303)
Windom Area Hospital				21,283,567	21,283,567
Nonmajor Proprietary Funds	398,626	(205,024)	9,417	-	203,019
Component Unit - Windom Area Hospital Foundation				269,577	269,577

**CITY OF WINDOM, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 YEAR ENDED DECEMBER 31, 2015**

	Measurement Date June 30, 2015
<b>City - GERP</b>	
City's Proportion of the Net Pension Liability (Asset)	0.0405%
City's Proportionate Share of the Net Pension Liability (Asset)	2,098,920
City's Covered-Employee Payroll	2,378,626
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	88.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%

<b>PEPFF</b>	
City's Proportion of the Net Pension Liability (Asset)	0.0550%
City's Proportionate Share of the Net Pension Liability (Asset)	624,929
City's Covered-Employee Payroll	506,666
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	123.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.60%

	Measurement Date December 31, 2015
<b>Fire Relief Association</b>	
City's Proportion of the Net Pension Liability (Asset)	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (182,216)
City's Covered-Employee Payroll	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	138.33%

**CITY OF WINDOM, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
LAST TWO YEARS**

**Schedule of Contributions**

	2015	2014
<b>City - GERF</b>		
Contractually Required Contribution	\$ 174,770	\$ 170,298
Contributions in Relation to the Contractually Required Contribution	(174,770)	(170,298)
Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	2,330,263	2,348,947
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%
	2015	2014
<b>PEPFF</b>		
Contractually Required Contribution	\$ 82,258	\$ 77,187
Contributions in Relation to the Contractually Required Contribution	(82,258)	(77,187)
Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	507,766	504,493
Contributions as a Percentage of Covered Employee Payroll	16.20%	15.30%

**CITY OF WINDOM, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
WINDOM FIRE RELIEF ASSOCIATION  
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**

	<u>December 31, 2015 Measurement Date</u>
Total Pension Liability	
Service Cost	\$ 28,015
Interest	50,008
Net Change in Total Pension Liability	<u>78,023</u>
Total Pension Liability - Beginning	741,333
Total Pension Liability - Ending (a)	<u>819,356</u>
Plan Fiduciary Net Position	
Municipal Contributions	5,000
State Contributions	49,942
Net Investment Income	(34,324)
Benefit Payments	(1,051)
Net Change in Fiduciary Net Position	<u>19,567</u>
Fiduciary Net Position - Beginning	1,113,829
Fiduciary Net Position - Ending (b)	<u>1,133,396</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (314,040)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	138.33%
Covered-Employee Payroll	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A

**CITY OF WINDOM, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015**

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds	
	Ambulance Fund	2013 Street Capital Project Fund	4th Ave Improvement Bond Fund	2006A Refunding Bond Fund
<b>ASSETS</b>				
Cash and Investments	\$ 1,450,098	\$ 490,165	\$ -	\$ -
Accounts Receivable	216,178	-	-	-
Special Assessments Receivable	-	743,600	-	20,387
Total Assets	\$ 1,666,276	\$ 1,233,765	\$ -	\$ 20,387
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 2,874	\$ -	\$ -	\$ -
Other Accrued Liabilities	4,884	-	-	-
Due to Other Funds	-	-	58,517	254,778
Total Liabilities	7,758	-	58,517	254,778
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	743,599	-	20,387
 <b>FUND BALANCE (DEFICIT)</b>				
Restricted	-	109,750	-	-
Committed	1,658,518	-	-	-
Assigned	-	380,416	-	-
Unassigned	-	-	(58,517)	(254,778)
Total Fund Balance (Deficit)	1,658,518	490,166	(58,517)	(254,778)
Total Liabilities and Fund Balance (Deficit)	\$ 1,666,276	\$ 1,233,765	\$ -	\$ 20,387

Debt Service Funds

2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	2015 Total
\$ -	\$ 154,367	\$ 630,944	\$ 26,687	\$ 2,752,261
-	-	-	-	216,178
69,898	145,532	37,904	-	1,017,321
<u>\$ 69,898</u>	<u>\$ 299,899</u>	<u>\$ 668,848</u>	<u>\$ 26,687</u>	<u>\$ 3,985,760</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,874
-	-	-	-	4,884
170,397	-	-	-	483,692
<u>170,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,450</u>
69,898	145,532	33,514	-	1,012,930
-	154,367	635,334	26,687	926,138
-	-	-	-	1,658,518
-	-	-	-	380,416
(170,397)	-	-	-	(483,692)
<u>(170,397)</u>	<u>154,367</u>	<u>635,334</u>	<u>26,687</u>	<u>2,481,380</u>
<u>\$ 69,898</u>	<u>\$ 299,899</u>	<u>\$ 668,848</u>	<u>\$ 26,687</u>	<u>\$ 3,985,760</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds	
	Ambulance Fund	2013 Street Capital Project Fund	4th Ave Improvement Bond Fund	2006A Refunding Bond Fund
<b>REVENUE</b>				
General Property Taxes	\$ -	\$ 98,378	\$ 55,900	\$ 17,648
Intergovernmental				
Special Assessments	-	80,185	3,425	28,571
Charges for Services	537,857	-	-	-
Interest Income	10,275	648	-	-
Investment Earnings (Loss)	(2,325)	(252)	-	-
Grants and Contributions	4,590	-	-	-
Total Revenue	<u>554,297</u>	<u>178,959</u>	<u>59,325</u>	<u>46,219</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	320,570	-	-	-
Public Works	-	7,683	925	970
Capital Outlay:				
Public Works	-	19,387	-	-
Debt Service:				
Principal	-	125,000	42,350	86,000
Interest and Fiscal Charges	-	59,663	2,592	9,075
Total Expenditures	<u>320,570</u>	<u>211,733</u>	<u>45,867</u>	<u>96,045</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	233,727	(32,774)	13,458	(49,826)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	-	29,965
<b>NET CHANGE IN FUND BALANCE</b>	233,727	(32,774)	13,458	(19,861)
Fund Balance (Deficit) - Beginning of Year	1,424,791	522,940	(71,975)	(234,917)
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 1,658,518</u>	<u>\$ 490,166</u>	<u>\$ (58,517)</u>	<u>\$ (254,778)</u>

Debt Service Funds

2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	2015 Total
\$ 27,525	\$ 53,771	\$ 34,313	\$ 80,034	\$ 367,569
23,404	20,142	(2,606)	-	153,121
-	-	-	-	537,857
1,303	-	513	-	12,739
-	-	-	-	(2,577)
-	-	-	-	4,590
<u>52,232</u>	<u>73,913</u>	<u>32,220</u>	<u>80,034</u>	<u>1,077,199</u>
-	-	-	-	320,570
-	925	804	925	12,232
-	-	-	-	19,387
645,000	90,000	57,650	110,000	1,156,000
22,745	43,270	5,952	7,485	150,782
<u>667,745</u>	<u>134,195</u>	<u>64,406</u>	<u>118,410</u>	<u>1,658,971</u>
(615,513)	(60,282)	(32,186)	(38,376)	(581,772)
-	38,648	-	-	68,613
<u>(615,513)</u>	<u>(21,634)</u>	<u>(32,186)</u>	<u>(38,376)</u>	<u>(513,159)</u>
445,116	176,001	667,520	65,063	2,994,539
<u>\$ (170,397)</u>	<u>\$ 154,367</u>	<u>\$ 635,334</u>	<u>\$ 26,687</u>	<u>\$ 2,481,380</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

<b>ASSETS</b>	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Totals 2015
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 98,346	\$ 184,897	\$ 63,712	\$ 346,955
Accounts Receivable	350	4,774	-	5,124
Total Current Assets	<u>98,696</u>	<u>189,671</u>	<u>63,712</u>	<u>352,079</u>
Capital Assets:				
Buildings and Improvements	940,208	1,938,426	1,123,288	4,001,922
Machinery and Equipment	387,203	274,626	-	661,829
Total Capital Assets	<u>1,327,411</u>	<u>2,213,052</u>	<u>1,123,288</u>	<u>4,663,751</u>
Less: Accumulated Depreciation	<u>(1,199,972)</u>	<u>(1,056,830)</u>	<u>(453,814)</u>	<u>(2,710,616)</u>
Net Capital Assets	<u>127,439</u>	<u>1,156,222</u>	<u>669,474</u>	<u>1,953,135</u>
Total Assets	<u>226,135</u>	<u>1,345,893</u>	<u>733,186</u>	<u>2,305,214</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	13,680	15,585	-	29,265
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	7,887	11,035	2,570	21,492
Accrued Salaries and Fringes	4,132	4,402	-	8,534
Accrued Interest Payable	-	-	317	317
Other Accrued Liabilities	6,540	-	-	6,540
Unearned Revenue	-	1,600	5,200	6,800
Current Portion of Bonds Payable	-	-	20,107	20,107
Total Current Liabilities	<u>18,559</u>	<u>17,037</u>	<u>28,194</u>	<u>63,790</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated Absences	38,129	37,653	-	75,782
Net Pension Liability	97,991	111,638	-	209,629
Bonds Payable - Long-Term	-	-	810,573	810,573
Total Noncurrent Liabilities	<u>136,120</u>	<u>149,291</u>	<u>810,573</u>	<u>1,095,984</u>
Total Liabilities	<u>154,679</u>	<u>166,328</u>	<u>838,767</u>	<u>1,159,774</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	10,204	11,625	-	21,829
<b>NET POSITION</b>				
Net Investment in Capital Assets	127,439	1,156,222	(160,867)	1,122,794
Unrestricted	<u>(52,507)</u>	<u>27,303</u>	<u>55,286</u>	<u>30,082</u>
Total Net Position	<u>\$ 74,932</u>	<u>\$ 1,183,525</u>	<u>\$ (105,581)</u>	<u>\$ 1,152,876</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2015**

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Totals 2015
<b>OPERATING REVENUE</b>				
Facility Use/Other Revenue	\$ 142,975	\$ 84,228	\$ 91,884	\$ 319,087
<b>OPERATING EXPENSES</b>				
Personal Services	158,134	193,979	-	352,113
Supplies, Repairs, Services and Rents	144,100	77,483	38,216	259,799
Depreciation and Amortization	30,268	52,999	28,082	111,349
Total Operating Expenses	<u>332,502</u>	<u>324,461</u>	<u>66,298</u>	<u>723,261</u>
<b>OPERATING INCOME (LOSS)</b>	(189,527)	(240,233)	25,586	(404,174)
<b>OTHER INCOME (EXPENSE)</b>				
Taxes and Special Assessments	162,470	200,390	-	362,860
Interest Income	521	1,068	-	1,589
Investment Earnings	(118)	(260)	-	(378)
Interest Expense	-	-	(10,040)	(10,040)
Total Other Income (Expense)	<u>162,873</u>	<u>201,198</u>	<u>(10,040)</u>	<u>354,031</u>
<b>CHANGE IN NET POSITION</b>	(26,654)	(39,035)	15,546	(50,143)
Net Position - Beginning of Year	193,023	1,326,730	(121,127)	1,398,626
Change in Accounting Principle	(91,437)	(104,170)	-	(195,607)
Net Position - Beginning of Year, As Restated	<u>101,586</u>	<u>1,222,560</u>	<u>(121,127)</u>	<u>1,203,019</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 74,932</u>	<u>\$ 1,183,525</u>	<u>\$ (105,581)</u>	<u>\$ 1,152,876</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015**

	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers and Service Users	\$ 143,614	\$ 83,148	\$ 92,190	\$ 318,952
Cash Paid to Suppliers	(138,595)	(66,172)	(38,216)	(242,983)
Cash Paid to Employees	(152,391)	(191,272)	-	(343,663)
Net Cash Provided (Used) by Operating Activities	(147,372)	(174,296)	53,974	(267,694)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Property Tax Revenues	162,470	200,390	-	362,860
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	55,838	(5,344)	-	(61,182)
Interest Paid on Long-Term Debt	-	-	(7,339)	(7,339)
Principal Payments on Long-Term Debt	-	-	(47,570)	(47,570)
Net Cash Used by Capital and Related Financing Activities	(55,838)	(5,344)	(54,909)	(116,091)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income (Loss)	403	807	-	1,210
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(40,337)	21,557	(935)	19,715
Cash and Cash Equivalents - Beginning of Year	138,683	163,340	64,647	366,670
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>				
	\$ 98,346	\$ 184,897	\$ 63,712	\$ 346,955
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (189,527)	\$ (240,233)	\$ 25,586	\$ (404,174)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	30,268	52,999	28,082	111,349
Pension Adjustment	3,078	3,508	-	6,586
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	639	(1,230)	-	(591)
Increase (Decrease) in Accounts and Contracts Payable	2,427	7,803	-	10,230
Increase (Decrease) in Accrued Expenses	6,042	388	-	6,430
Increase (Decrease) in Unearned Revenue	-	150	306	456
Increase (Decrease) in Accrued Compensated Absences	(299)	2,319	-	2,020
Net Cash Provided (Used) by Operating Activities	<u>\$ (147,372)</u>	<u>\$ (174,296)</u>	<u>\$ 53,974</u>	<u>\$ (267,694)</u>



## CliftonLarsonAllen

### INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom (the City), Minnesota, as of December 31, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated June 28, 2016.

The City's basic financial statements include the operations of Windom Area Hospital. Our audit, described below, did not include the operations of the Windom Area Hospital because the component unit engaged for its own separate audit that included the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

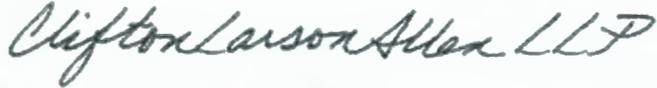
The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and city and county miscellaneous provisions.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Windom, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* §6.65, except as described in the schedule of findings and responses as item 2015-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Windom, Minnesota's noncompliance with the above-referenced provisions.

The City of Windom's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 28, 2016

**CITY OF WINDOM, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2015**

**2015-002 Broker Acknowledgement Certifications**

**Condition:** Minnesota statute 118A.04, subd. 9, requires that a government entity annually, prior to completing an initial investment transaction with each broker, provide to that broker a written statement of investment restrictions and obtain acknowledgement from the broker agreeing to handle the City's account in accordance with these restrictions and for the City to retain this documentation. Written investment restrictions were not provided to the broker for 2015 and as a result, no broker certification was received.

**Recommendation:** We recommend the City provide each broker with the City's written investment policy and request acknowledgment that they are handling the City's account in accordance with these restrictions at the beginning of every calendar year.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will implement the recommendation above.

**Official Responsible for Ensuring CAP:**

The governing board is responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was January 2016.

**Plan to Monitor Completion of CAP:**

The governing board will monitor this corrective action plan.

**FORMS OF LEGAL OPINIONS**

(See following page)

# FRYBERGER

— LAW FIRM —

June 15, 2017

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

[PURCHASER]

**RE: City of Windom, Minnesota  
\$4,135,000 General Obligation Improvement and Utility Revenue Bonds, Series 2017A**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Windom, Minnesota, Cottonwood County, Minnesota (the "Issuer"), of the above-referenced bonds dated the date hereof (the "Bonds"). The Bonds are issued pursuant to Minnesota Statutes, Chapters 115, 429, 444 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on May 16, 2017 authorizing the issuance and delivery of the Bonds (the "Resolution");
2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the "Tax Certificate");
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds

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FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

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St. Paul, MN 55102  
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June 15, 2017

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of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, 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 State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum

June 15, 2017

Page 3

taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the State 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.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as “qualified tax-exempt obligations” under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors’ or secured creditors’ rights or laws relating to creditors’ or secured creditors’ rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

June 15, 2017  
Page 4

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

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Fryberger, Buchanan, Smith & Frederick, P.A.

# FRYBERGER

— LAW FIRM —

June 15, 2017

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

[PURCHASER]

**RE: City of Windom, Minnesota**  
**\$925,000 General Obligation Equipment Certificates, Series 2017B**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Windom, Minnesota, Cottonwood County, Minnesota (the "Issuer"), of the above-referenced bonds dated the date hereof (the "Certificates"). The Certificates are issued pursuant to Minnesota Statutes, Chapter 475 and Sections 410.32 and 412.301.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on May 16, 2017 authorizing the issuance and delivery of the Certificates (the "Resolution");
2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Certificates (the "Tax Certificate");
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Certificates; and
4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Certificates as to: (a) the nature, cost, use and useful economic life of the capital equipment financed by the Certificates, (b) the application to be made of the proceeds of the Certificates, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Certificates, including the anticipated sources of repayment of the Certificates.

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FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

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ST. PAUL  
380 St. Peter Street, Ste. 710  
St. Paul, MN 55102  
p: (651) 221-1044  
f: (651) 221-1035

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Certificates will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Certificates. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Certificates 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 Certificates.

3. The Certificates, 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 State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Certificates 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 State 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.

4. Based solely on factual representations by the Issuer, the Certificates have been designated by the Issuer as "qualified tax-exempt obligations" under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Certificates other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Certificates are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Certificates to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Certificates, and we express no opinion relating thereto.

Respectfully submitted,

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Fryberger, Buchanan, Smith & Frederick, P.A.

## 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](http://www.dtcc.com).
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**

(See following page)

## 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 (i) \$4,135,000 General Obligation Improvement and Utility Revenue Bonds, Series 2017A; and (ii) \$925,000 General Obligation Equipment Certificates, Series 2017B, dated June 15, 2017 (collectively, the "Obligations"). The Obligations are being issued pursuant to Resolutions of the Issuer dated May 16, 2017 (collectively, the "Resolutions"). 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](http://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 Resolutions, 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 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Official Statement, dated \_\_\_\_\_, 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, 2017, 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) Current Property Valuations
- (b) Direct Debt
- (c) Tax Levies & Collections
- (d) US Census Data/Population Trend
- (e) Employment/Unemployment

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 10 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 10 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. 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 Resolutions, 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 15, 2017.

CITY OF WINDOM, MINNESOTA

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
City Administrator

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**TERMS OF PROPOSAL**

**\$4,140,000\* GENERAL OBLIGATION IMPROVEMENT AND UTILITY REVENUE BONDS,  
SERIES 2017A  
CITY OF WINDOM, MINNESOTA**

Proposals for the purchase of \$4,140,000\* General Obligation Improvement and Utility Revenue Bonds, Series 2017A (the "Series 2017A 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, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on May 16, 2017, 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 2017A Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

**PURPOSE**

The Series 2017A Bonds are being issued pursuant to Minnesota Statutes, Chapters 115, 429, 444, and 475, by the City for the purpose of financing various public improvements within the City. The Series 2017A Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

**DATES AND MATURITIES**

The Series 2017A Bonds will be dated June 15, 2017, will be issued as fully registered Series 2017A 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>
2019	\$50,000	2026	\$205,000	2033	\$245,000
2020	185,000	2027	210,000	2034	185,000
2021	190,000	2028	220,000	2035	195,000
2022	190,000	2029	220,000	2036	200,000
2023	190,000	2030	225,000	2037	210,000
2024	195,000	2031	230,000	2038	210,000
2025	205,000	2032	240,000	2039	140,000

**ADJUSTMENT OPTION**

\* The City reserves the right to increase or decrease the principal amount of the Series 2017A 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 2017A 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, 2018, to the registered owners of the Series 2017A 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 Municipal Securities Rulemaking Board. **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 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Series 2017A 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 2017A 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 2017A 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 2017A Bonds. So long as Cede & Co. is the registered owner of the Series 2017A 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 2017A Bonds.

## PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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, the Series 2017A Bonds maturing on or after February 1, 2027 shall be subject to optional redemption prior to maturity on February 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Series 2017A Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Series 2017A Bonds to be redeemed shall be at the discretion of the City. If only part of the Series 2017A 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 less than 30 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.

## DELIVERY

On or about June 15, 2017, the Series 2017A 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 2017A Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Series 2017A 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 2017A 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 be available at the time of delivery of the Series 2017A Bonds. The legal opinion will state that the Series 2017A Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Series 2017A Bonds and the enforceability of the Series 2017A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$4,090,320 plus accrued interest on the principal sum of \$4,140,000 from date of original issue of the Series 2017A 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 10:00 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, 2<sup>nd</sup> 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 cashier's check in the amount of \$82,800 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit ("Deposit") in the amount of \$82,800 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Series 2017A Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Series 2017A Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Series 2017A Bonds.

The City and the winning 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 winning 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 winning 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.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Series 2017A Bonds is adjourned, recessed, or continued to another date without award of the Series 2017A Bonds having been made.

### **AWARD**

The Series 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A Bonds.

### **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Series 2017A 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 2017A 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 for the benefit of the holders of the Series 2017A Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary 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 2017A Bonds necessary to compute the yield on the Series 2017A 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 2017A Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. 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

City of Windom, Minnesota

## TERMS OF PROPOSAL

### **\$925,000\*\* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2017B CITY OF WINDOM, MINNESOTA**

Proposals for the purchase of \$925,000\*\* General Obligation Equipment Certificates, Series 2017B (the "Series 2017B Certificates") 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, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on May 16, 2017, 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 2017B Certificates upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

#### **PURPOSE**

The Series 2017B Certificates are being issued by the City pursuant to Minnesota Statutes, Section 410.32 and 412.301, and Chapter 475, for the purpose of financing the acquisition of various capital equipment. All equipment has an expected useful life at least as long as the term of the Series 2017B Certificates. The Series 2017B Certificates are general obligations of the City, for which its full faith, credit and taxing powers are pledged.

#### **DATES AND MATURITIES**

The Series 2017B Certificates will be dated June 15, 2017, will be issued as fully registered Series 2017B Certificates 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>
2019	\$95,000	2022	\$100,000	2025	\$105,000
2020	95,000	2023	105,000	2026	110,000
2021	100,000	2024	105,000	2027	110,000

#### **ADJUSTMENT OPTION**

\*\* The City reserves the right to increase or decrease the principal amount of the Series 2017B Certificates 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 2017B Certificates 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, 2018, to the registered owners of the Series 2017B Certificates 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 Municipal Securities Rulemaking Board. **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 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Series 2017B Certificates 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 2017B Certificates 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 2017B Certificates, 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 2017B Certificates. So long as Cede & Co. is the registered owner of the Series 2017B Certificates, 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 2017B Certificates.

## PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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

The Series 2017B Certificates are being offered without option of prior redemption.

## DELIVERY

On or about June 15, 2017, the Series 2017B Certificates 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 2017B Certificates is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Series 2017B Certificates 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 2017B Certificates 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 be available at the time of delivery of the Series 2017B Certificates. The legal opinion will state that the Series 2017B Certificates 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 limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$911,125 plus accrued interest on the principal sum of \$925,000 from date of original issue of the Series 2017B Certificates 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 10:00 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, 2<sup>nd</sup> 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 cashier's check in the amount of \$18,500 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit ("Deposit") in the amount of \$18,500 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Series 2017B Certificates to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Series 2017B Certificates to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Series 2017B Certificates.

The City and the winning 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 winning 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 winning 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.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Series 2017B Certificates is adjourned, recessed, or continued to another date without award of the Series 2017B Certificates having been made.

## AWARD

The Series 2017B Certificates 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 2017B Certificates 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 2017B Certificates 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 2017B Certificates. 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 2017B Certificates 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 2017B Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Series 2017B Certificates.

## **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Series 2017B Certificates 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 2017B Certificates 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 for the benefit of the holders of the Series 2017B Certificates. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary 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 2017B Certificates necessary to compute the yield on the Series 2017B Certificates 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 2017B Certificates prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. 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

City of Windom, Minnesota

# PROPOSAL FORM

The City Council  
City of Windom, Minnesota

May 16, 2017

RE: \$4,140,000\* General Obligation Improvement and Utility Revenue Bonds, Series 2017A

DATED: June 15, 2017

For all or none of the above Series 2017A 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 Official Statement, we will pay you \$ \_\_\_\_\_ (not less than \$4,090,320) plus accrued interest to date of delivery for fully registered Series 2017A Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2019	_____ % due	2026	_____ % due	2033
_____ % due	2020	_____ % due	2027	_____ % due	2034
_____ % due	2021	_____ % due	2028	_____ % due	2035
_____ % due	2022	_____ % due	2029	_____ % due	2036
_____ % due	2023	_____ % due	2030	_____ % due	2037
_____ % due	2024	_____ % due	2031	_____ % due	2038
_____ % due	2025	_____ % due	2032		

\* The City reserves the right to increase or decrease the principal amount of the Series 2017A 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 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Series 2017A 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 Deposit in the amount of \$82,800, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Series 2017A Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Series 2017A Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Series 2017A 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 15, 2017.

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 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 2017A 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 15, 2017 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 16, 2017.

By: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

# PROPOSAL FORM

The City Council  
City of Windom, Minnesota

May 16, 2017

RE: \$925,000\*\* General Obligation Equipment Certificates, Series 2017B

DATED: June 15, 2017

For all or none of the above Series 2017B Certificates, 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 Official Statement, we will pay you \$ \_\_\_\_\_ (not less than \$911,125) plus accrued interest to date of delivery for fully registered Series 2017B Certificates bearing interest rates and maturing in the stated years as follows:

_____ % due 2019	_____ % due 2022	_____ % due 2025
_____ % due 2020	_____ % due 2023	_____ % due 2026
_____ % due 2021	_____ % due 2024	_____ % due 2027

\*\* The City reserves the right to increase or decrease the principal amount of the Series 2017B Certificates 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 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%). All Series 2017B Certificates 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 Deposit in the amount of \$18,500, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Series 2017B Certificates to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Series 2017B Certificates to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Series 2017B Certificates 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 15, 2017.

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 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 2017B Certificates 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 15, 2017 of the above proposal is \$ \_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_ %.

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The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Windom, Minnesota, on May 16, 2017.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_