

City of Windom, Minnesota

Audit Presentation
Year Ending December 31, 2016

July 18, 2017



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Agenda

- Required Communications
- Audit Results
- Future Changes
- Financial Results

Required Communications

- Audit provides reasonable, but not *absolute* assurance
- Accounting policies
- Other changes
 - hospital adopted pension accounting standards in 2016
- Passed audit adjustments – OPEB liability not recorded

Required Communications (continued)

- Significant estimates
 - Depreciation lives on capital assets
 - Collectibility of receivables
 - Liability for vacation and sick leave
 - Pension liability
- Telecom Fund financial performance
- No disagreement or difficulties with management

Audit Results

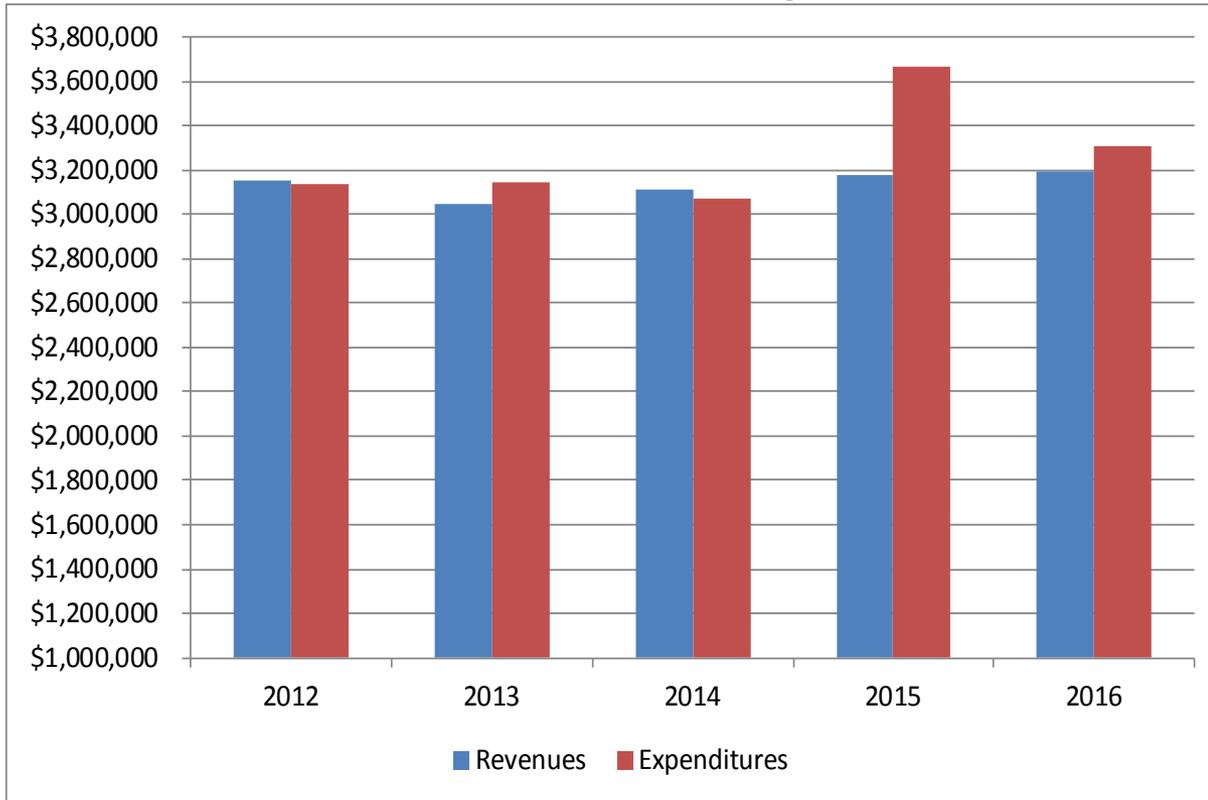
- Financial statements – unmodified opinion
- Internal controls – material weakness for financial statement preparation
- Minnesota legal compliance – no findings

Future Changes

- FY 2018 – OPEB reporting will be similar to pension reporting
- FY 2020 – most leases will be put on the balance sheet

Financial Results

General Fund Revenues & Expenditures



	2012	2013	2014	2015	2016
Revenues	\$ 3,154,935	\$ 3,043,631	\$3,110,585	\$3,175,174	\$ 3,189,657
Expenditures	3,139,087	3,143,632	3,070,390	3,666,834	3,305,566
Unassigned FB as a % of Expenditures	69.9%	69.3%	78.7%	63.0%	68.6%

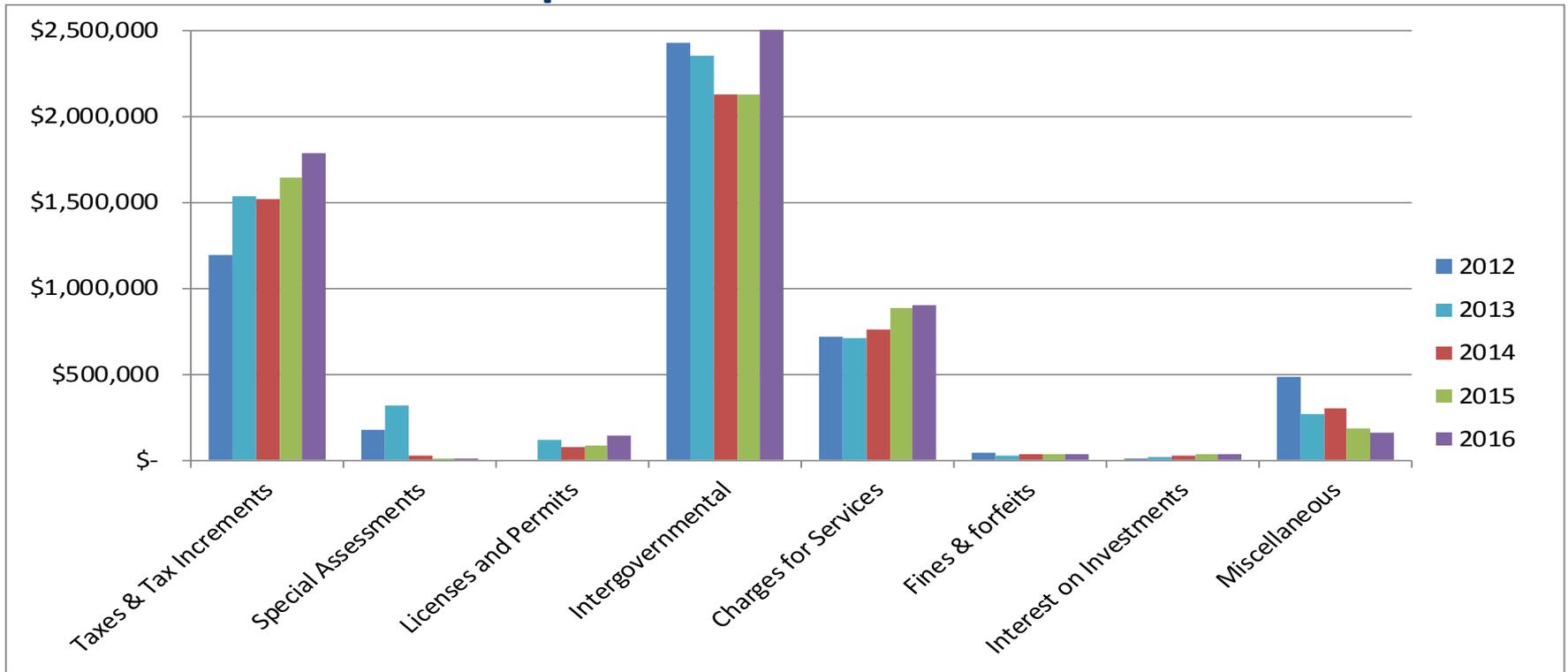
Expenditures in 2015 included purchase of a new pumper truck

Expenditures in 2016 included motor grader purchase in Public Works.

City's policy is to maintain General Fund unassigned fund balance at minimum of 35% of next year's budgeted expenditures.

Financial Results

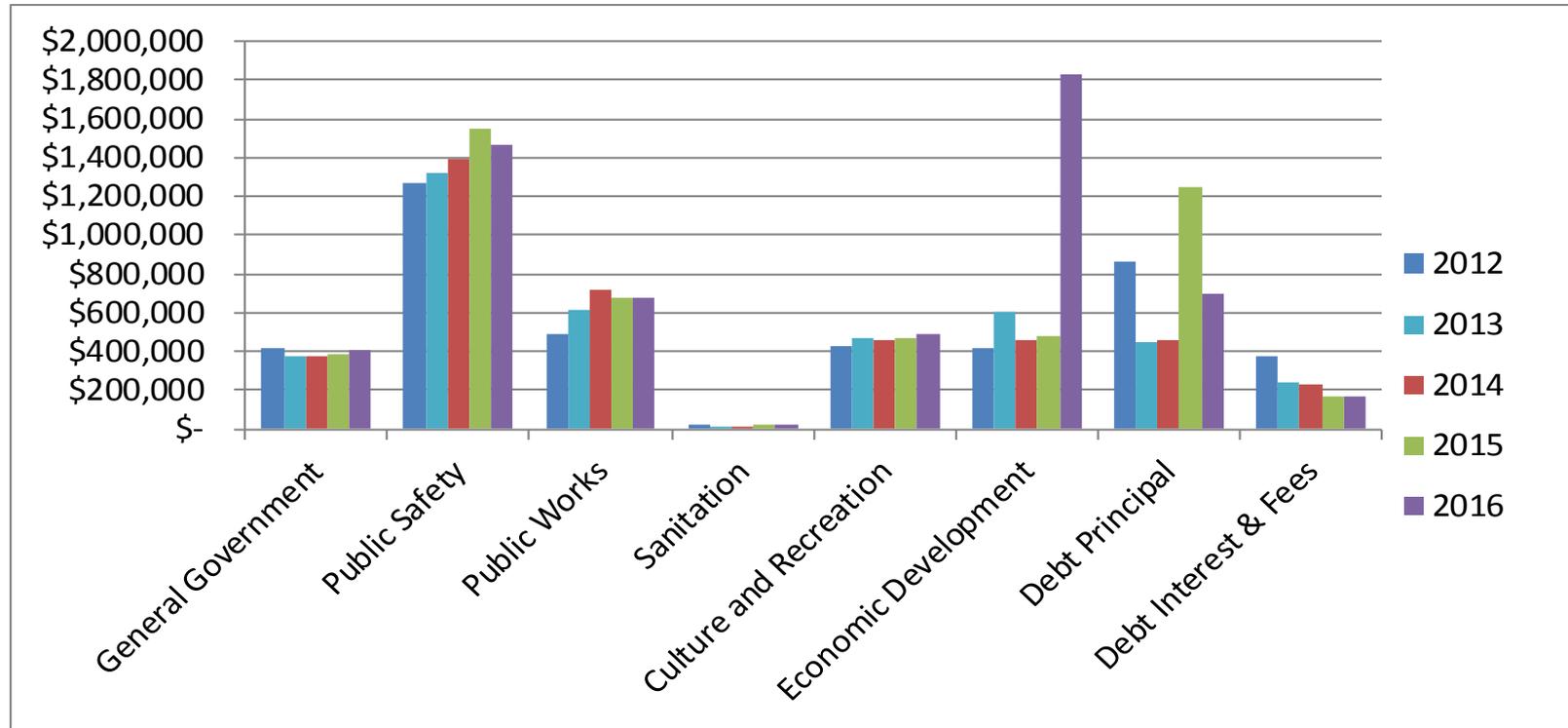
Revenue Components – All Governmental Funds



	2012	2013	2014	2015	2016
Taxes & Tax Increments	\$ 1,192,778	\$ 1,535,474	\$ 1,516,221	\$ 1,647,388	\$ 1,787,014
Special Assessments	172,102	320,733	25,275	10,256	9,281
Licenses and Permits	-	115,682	78,961	82,161	143,137
Intergovernmental	2,431,455	2,350,700	2,126,485	2,132,177	3,261,994
Charges for Services	714,677	709,111	761,346	887,114	902,533
Fines & forfeits	44,425	24,090	29,884	31,862	29,681
Interest on Investments	2,694	13,505	25,445	32,190	37,758
Miscellaneous	485,984	265,985	298,253	186,538	155,341
	\$ 5,044,115	\$ 5,335,280	\$ 4,861,870	\$ 5,009,686	\$ 6,326,739

Financial Results

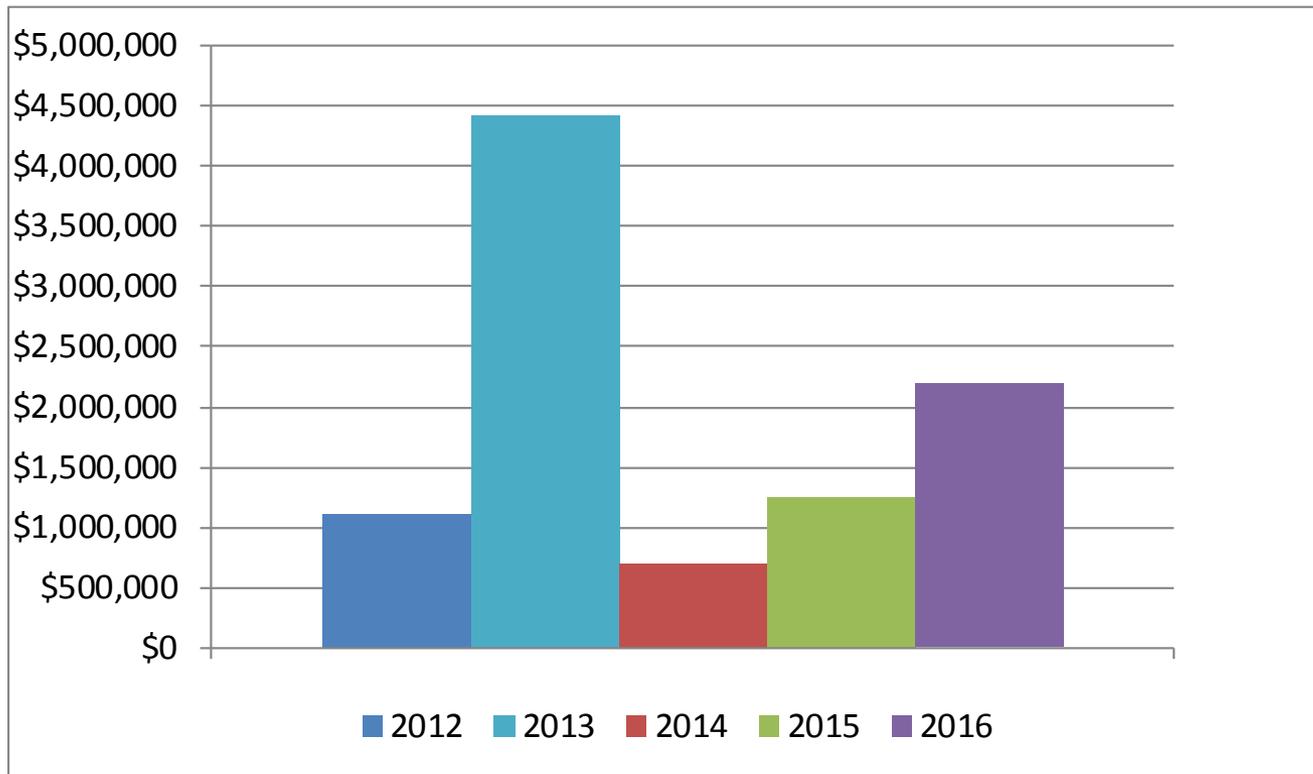
Expenditure Components – All Governmental Funds (excluding capital outlay)



	2012	2013	2014	2015	2016
General Government	\$ 414,985	\$ 374,976	\$ 380,755	\$ 390,919	\$ 404,616
Public Safety	1,272,763	1,317,589	1,397,361	1,550,639	1,470,267
Public Works	493,392	612,367	719,562	677,673	680,082
Sanitation	18,475	1,961	14,450	18,867	20,472
Culture and Recreation	427,527	466,971	458,370	469,288	489,342
Economic Development	416,242	602,357	462,802	481,806	1,828,588
Debt Principal	860,248	443,558	454,247	1,252,424	697,648
Debt Interest & Fees	373,975	242,304	233,434	172,495	169,961
Capital Outlay	1,110,656	4,424,486	707,353	1,246,260	2,201,324
	\$ 5,388,263	\$ 8,486,569	\$ 4,828,334	\$ 6,260,371	\$ 7,962,300

Financial Results

Capital Outlay Expenditures— All Governmental Funds

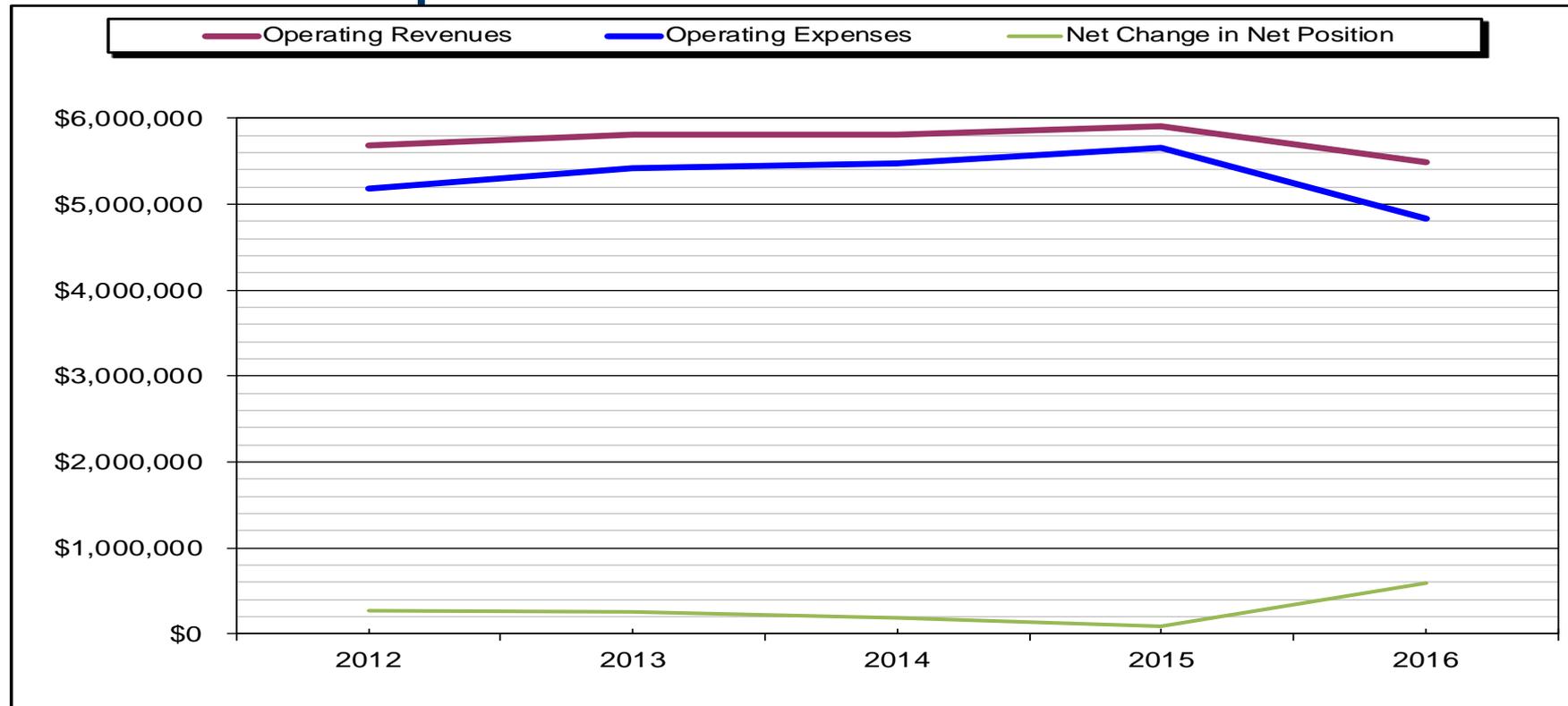


2013 includes expenditures for North Windom Industrial Park and also for the 2013 Street Capital Project.

2016 includes expenditures for the Emergency Services Facility and 2017 Street Capital Project

Financial Results

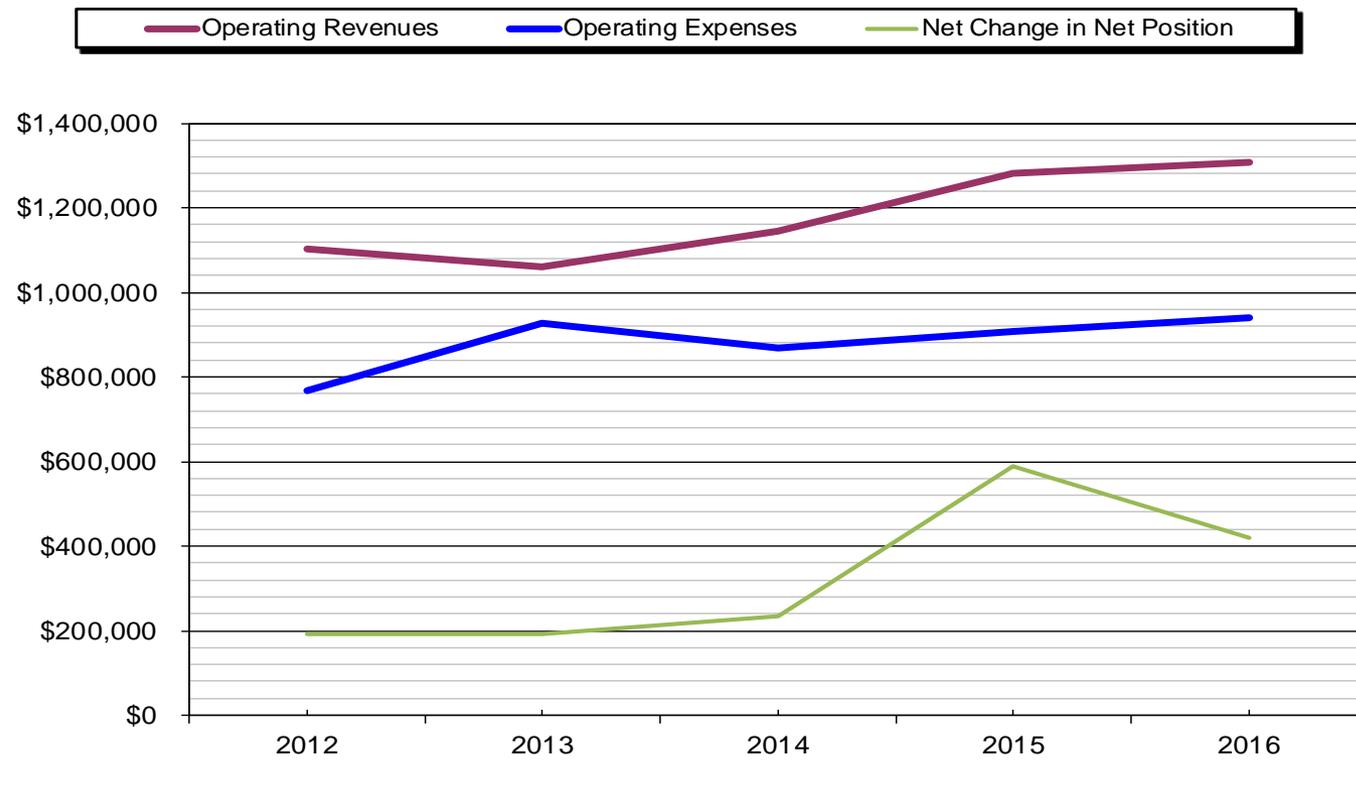
Electric Fund Operations



	2012	2013	2014	2015	2016
Operating Revenues	\$ 5,681,316	\$ 5,813,867	\$ 5,814,821	\$ 5,905,526	\$ 5,486,270
Operating Expenses	5,178,854	5,417,401	5,480,508	5,661,539	4,827,265
Operating Revenue/(Loss)	502,462	396,466	334,313	243,987	659,005
Net Change in Net Position	266,046	257,820	188,795	88,612	586,280
Months Expenses					
in Unrestricted Net Position	13.34	13.11	13.64	12.35	15.23

Financial Results

Water Fund Operations

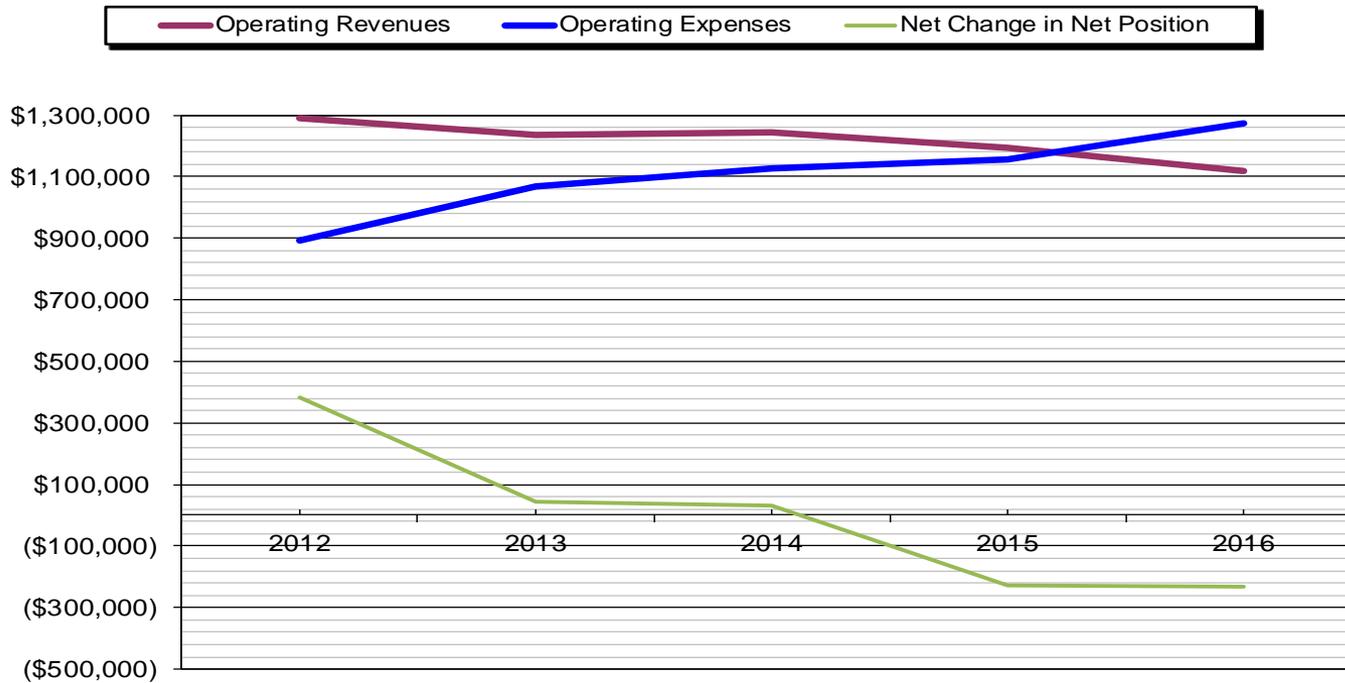


	2012	2013	2014	2015	2016
Operating Revenues	\$1,102,613	\$1,061,768	\$1,145,677	\$ 1,279,949	\$ 1,307,104
Operating Expenses	766,929	928,516	866,938	908,587	940,789
Operating Revenue/(Loss)	335,684	133,252	278,739	371,362	366,315
Net Change in Net Position	192,051	192,292	235,394	588,183	418,187
Months Expenses					
in Net Position	7.63	7.69	9.53	7.88	0.57

- 2016 net position is affected by water tower reconstruction
- 2015 reflects a rate adjustment and increased volume from a large industrial customer.
- 2013 revenues were affected by change in usage by POET and Red Rock Rural Water.
- 2013 expenses were higher due to water tower maintenance that is done cyclically, as more repairs on leaks in the system.

Financial Results

Sewer Fund Operations



	2012	2013	2014	2015	2016
Operating Revenues	\$1,288,987	\$1,233,527	\$ 1,244,950	\$ 1,192,113	\$ 1,118,498
Operating Expenses	894,223	1,067,792	1,126,167	1,154,065	1,275,143
Operating Revenue/(Loss)	394,764	165,735	118,783	38,048	(156,645)
Net Change in Net Position	383,661	45,953	30,541	(228,537)	(232,772)
Months Expenses in Net Position	4.66	8.13	8.80	5.47	(0.93)

Revenues were affected by closing of PM Windom in 2015.

The 2012 plant upgrade increased depreciation expense.

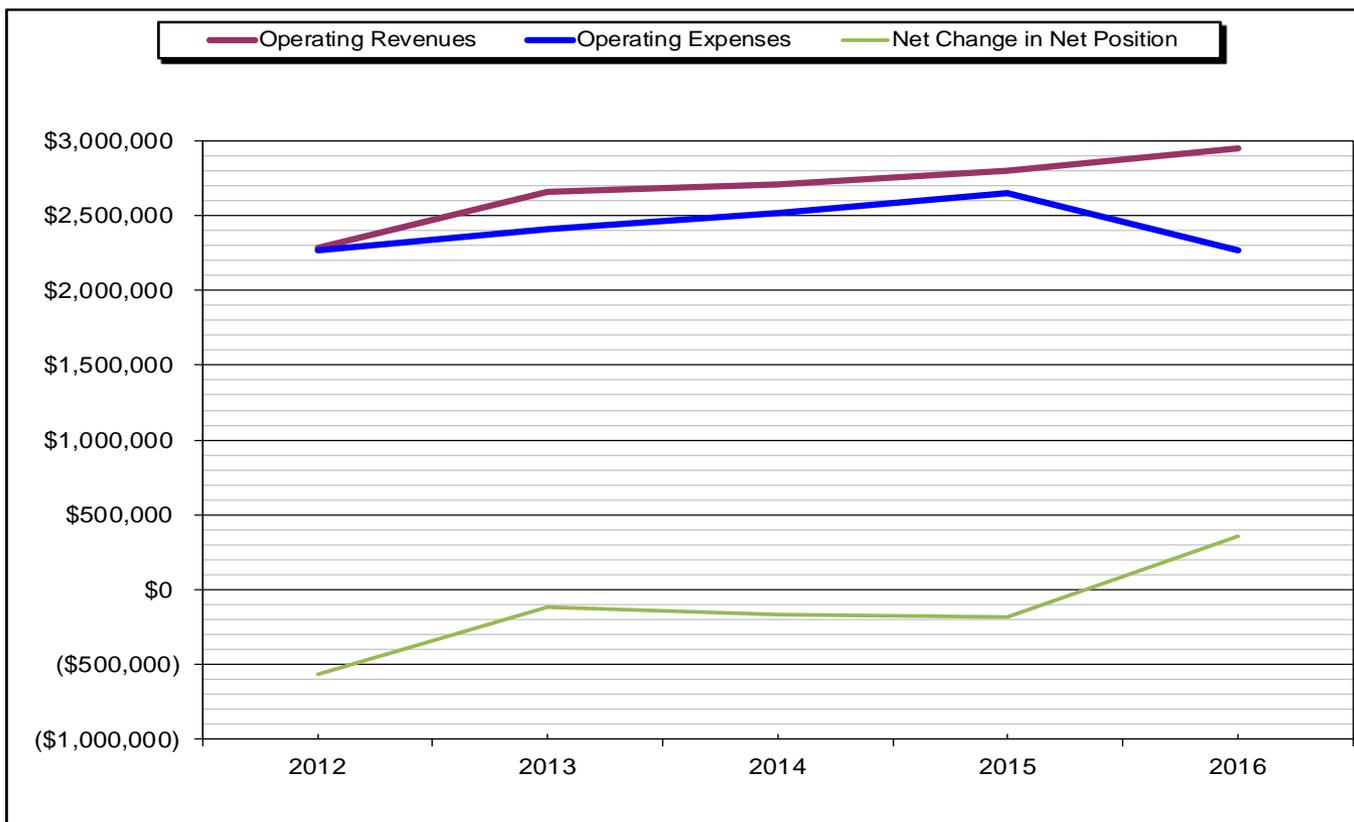
Issuance costs on 2013A bonds were expensed in 2013.

Debt service on the 2013A bonds increases after 2015.

Operating expenses increase in 2016 related to startup of new industrial users.

Financial Results

Telecom Fund Operations



The operations covered capital replacement in 2016, but not debt service.

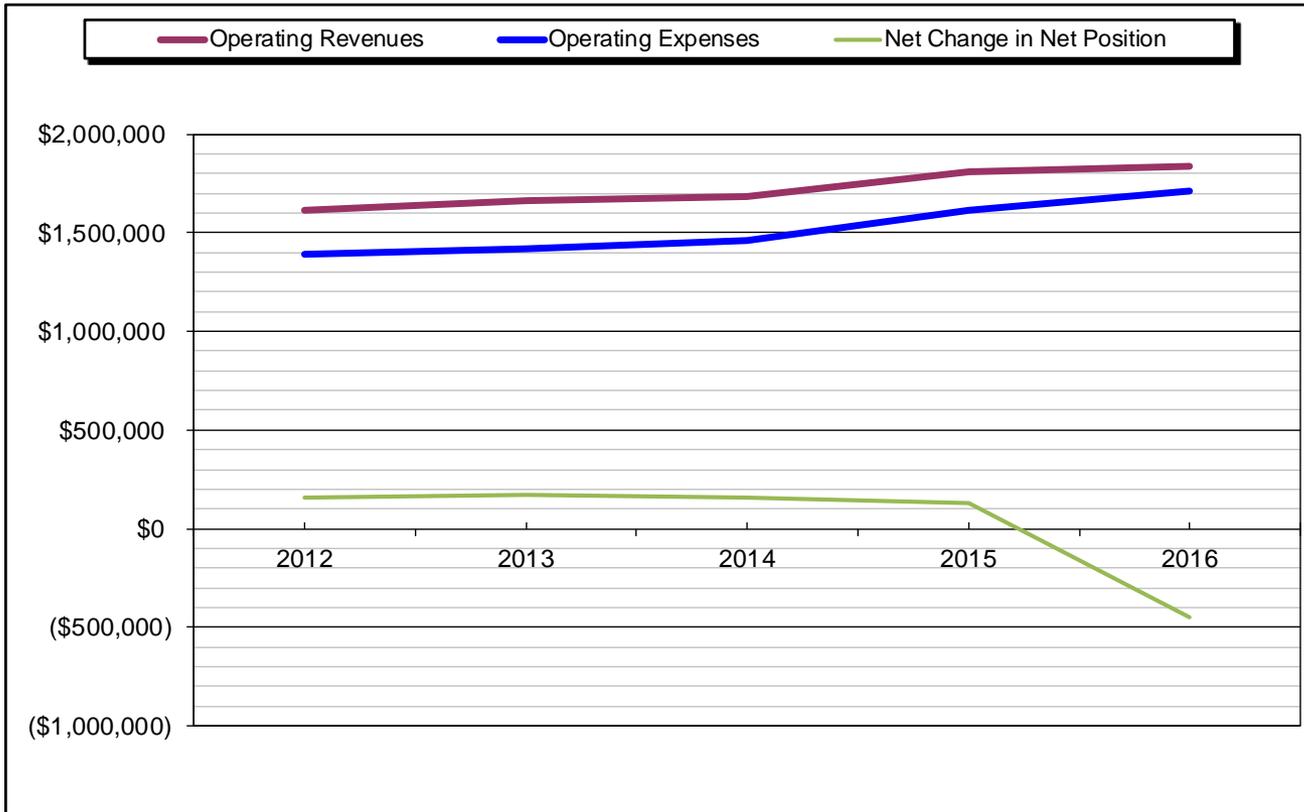
Significant deficit financial position.

New rate structure implemented in 2015.

	2012	2013	2014	2015	2016
Operating Revenues	\$ 2,285,213	\$ 2,656,719	\$ 2,704,717	\$ 2,801,140	\$ 2,948,491
Operating Expenses	2,270,413	2,411,776	2,515,903	2,645,201	2,270,233
Operating Revenue/(Loss)	14,800	244,943	188,814	155,939	678,258
Net Change in Net Position	(565,803)	(115,279)	(162,436)	(183,537)	358,385

Financial Results

Liquor Fund Operations



	2012	2013	2014	2015	2016
Operating Revenues	\$1,616,297	\$1,659,134	\$1,686,879	\$ 1,810,485	\$ 1,835,544
Operating Expenses	1,391,364	1,418,942	1,462,605	1,615,796	1,712,332
Operating Revenue/(Loss)	224,933	240,192	224,274	194,689	123,212
Operating Margin %	13.9%	14.5%	13.3%	10.8%	6.7%
Net Change in Net Position	154,933	169,648	156,890	128,633	(450,511)

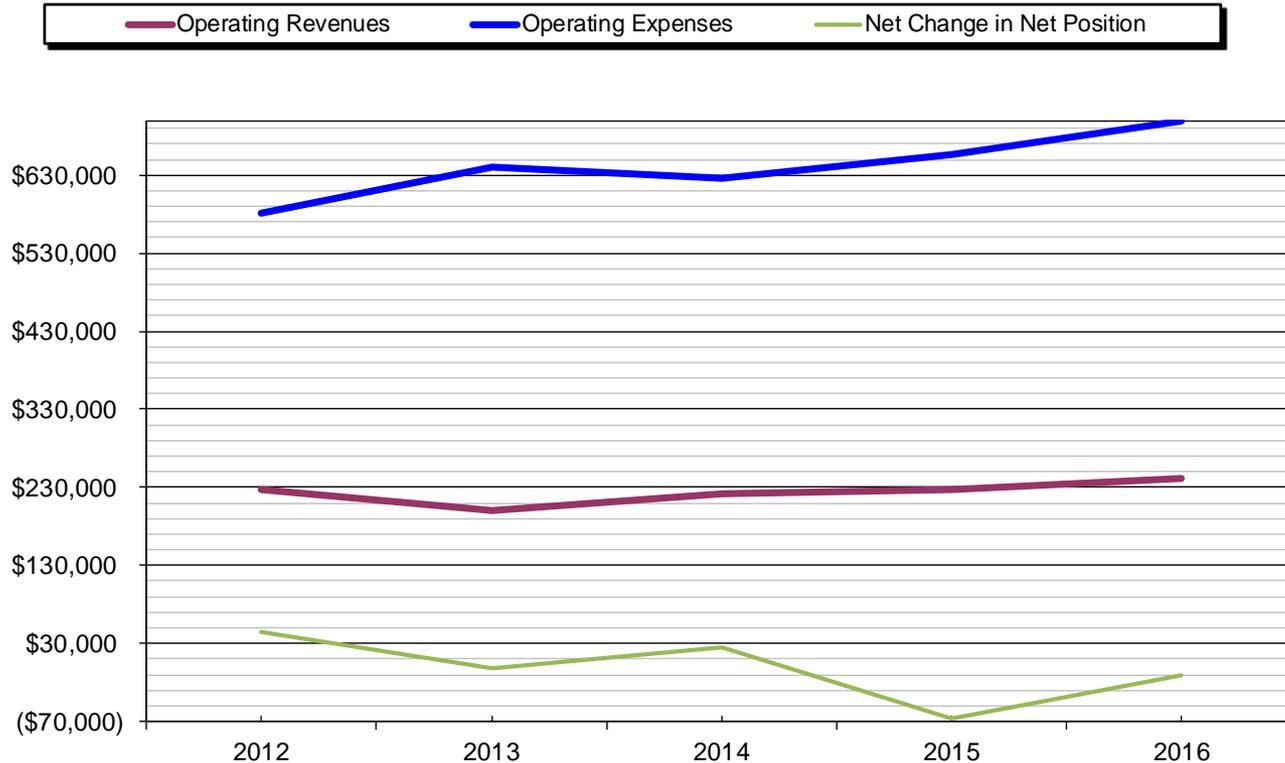
- Operating margin % is ranked 27th in the state in 2015, based on statistics from Minnesota State Auditors Office.

The decrease in net position in 2016 is due to a one-time transfer of \$500,000 to fund the Emergency Services Facility construction.

- 2016 margins were also affected by higher PERA contributions.

Financial Results

Arena and Multi-purpose Center Operations



Taxes are levied into the funds to help support operations (offsets operating losses).

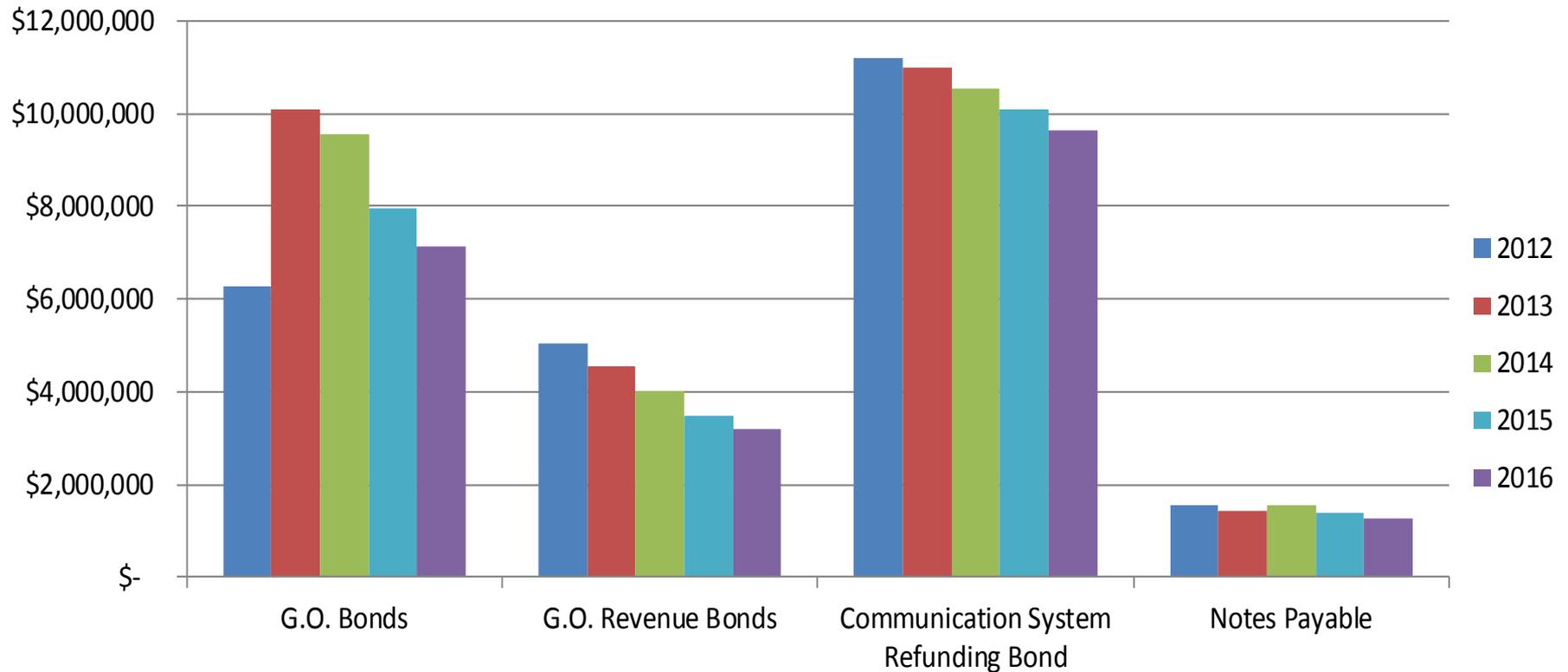
These operations have no long-term debt.

Levy for Multi-purpose Center was decreased by approx \$40,000 in 2015.

	2012	2013	2014	2015	2016
Operating Revenues	\$ 227,467	\$ 200,135	\$ 222,342	\$ 227,203	\$ 241,447
Operating Expenses	580,542	640,580	626,309	656,963	699,946
Operating Revenue/(Loss)	(353,075)	(440,445)	(403,967)	(429,760)	(458,499)
Taxes and Special Assessments (non-operating)	392,865	419,095	414,990	362,860	412,655
Net Change in Net Position	45,317	(1,388)	25,699	(65,689)	(11,316)

Financial Results

Long-term Debt (does not include Hospital)



	2012	2013	2014	2015	2016
G.O. Bonds	\$ 6,290,060	\$10,078,291	\$ 9,560,000	\$7,945,000	\$7,125,000
G.O. Revenue Bonds	5,050,738	4,560,774	4,022,400	3,471,782	3,186,000
Communication System Refunding Bond	11,205,000	10,985,000	10,550,000	10,105,000	9,645,000
Notes Payable	1,535,745	1,428,236	1,539,479	1,394,753	1,278,572

Thank you for allowing us to serve you!

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