

CITY OF WINDOM, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

**CITY OF WINDOM, MINNESOTA
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YEAR ENDED DECEMBER 31, 2019**

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INTRODUCTORY SECTION

**CITY OF WINDOM, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2019**

Elected Officials

Term Expires

Mayor	Dominic Jones	December 31, 2020
Council Member	JoAnn Ray	December 31, 2022
Council Member	James Nelson	December 31, 2022
Council Member	Jenny Quade	December 31, 2022
Council Member	Marvin Grunig	December 31, 2020
Council Member	Rodney Byam	December 31, 2020

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FINANCIAL SECTION

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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, 2019, 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.

Honorable Mayor and
Members of the City Council
City of Windom

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windom as of December 31, 2019, 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 Matter

During the year ended April 30, 2019, Windom Area Health adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, Windom Area Health reported a restatement to net position for the change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the City's total OPEB Liability and related ratios, the 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, 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

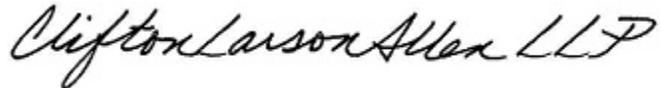
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Honorable Mayor and
Members of the City Council
City of Windom

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 30, 2020, 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 solely 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 the effectiveness of the City of Windom's 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

Rochester, Minnesota
June 30, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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, 2019.

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 \$67,661,027 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$24,413,244.
- The City's total net position increased by \$10,318,772 from 2018.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$8,427,251 which is an increase of \$489,979 in comparison with the prior year. The overall *unassigned fund balance* is \$1,754,786.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,314,832 or 57% of total 2019 general fund expenditures. The City's Fund Balance policy is to maintain an unrestricted fund balance in the General Fund of an amount that is not less than 35% or more than 60% of the next year's budgeted expenditures of the General Fund.
- Multi-Family Housing development was a key City Council discussion with a number of community meetings and information provided. A request for proposals netted the City three options for multi-family housing to be developed on City-owned property across the street from Tegel's Park and adjacent to the Windom Community Center. The City sold the land to a private developer for the construction of 45 units of market rate housing.
- Large general fund capital expenditures included upgrades to the Windom Recreation Area concession/restroom building, replacement of the fire department turnout gear, purchase of police vehicle, and purchase of new street sweeper.
- The Library completed renovations for ADA accessibility. Work was started to update the paint and carpet in the Children's library and is scheduled to be completed early 2020.
- During 2019 the 20-year Airport Master Plan, as required by the FAA and MN DOT, was completed and awaiting FAA review and comment. Construction of two additional bays was substantially completed in 2019 to meet demands for hangar space lease for business and general aviation.
- The Arena ice system upgrade completed in 2018 has proven to increase efficiency of staff operations for making and removing ice, leading to a successful hockey and ice skating season. The Arena staff continues to make improvements to the facility to provide a clean and safe building for the community.
- The Multi-Purpose Center hosted their first outdoor event during 2019, using the recently completed outdoor pavilion. After 2018 staff retirements, the City hired a new MPC Director. The Multi-Purpose Center is looking forward to facility and service upgrades and to increasing facility usage in future years.
- The Windom streetlight conversion to all LED was completed in 2019. The cost of the conversion was fully funded by the Electric Department. This project will save the General Fund approximately \$15,000 annually on street lighting.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

- During 2019, the City's \$18.9 million wastewater treatment plant renovation project was approximately 75% completed. This project was necessary to meet State and Federal clean water regulations. Funding for the project consists of \$9.6 million low interest loan from the State of Minnesota, a \$6.4 million Point Source Implementation Grant and a \$3 million grant through State bonding funds. As a Significant Industrial User Prime Pork will be paying 40% of the non-grant expense amounting to \$3.9 million.
- Community Policing Pilot Project with the Alternative Learning Center, which is operated by the Southwest West\Central Cooperative, was placed into service which provides regular services to the ALC and a \$12,000 stipend is paid to the City.

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 17-19 of this report.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 13 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 20-24 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 25-32 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 33-72 of this report.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Windom's OPEB liability plus progress in funding its Net Pension Liability. Required supplementary information can be found on pages 73-79 of this report.

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 80-86.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$67,661,027 at the close of the most recent fiscal year compared to \$57,342,255 as restated at the end of 2018.

Approximately 61% 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 2019, \$1,982,929 of assets were restricted as to use leaving the remaining balance of \$24,100,419 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	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 10,203,347	\$ 10,036,373	\$ 31,347,011	\$ 29,964,127	\$ 41,550,358	\$ 40,000,500
Capital Assets	20,722,532	20,819,784	55,642,426	43,938,845	76,364,958	64,758,629
Total Assets	30,925,879	30,856,157	86,989,437	73,902,972	117,915,316	104,759,129
DEFERRED OUTFLOWS OF RESOURCES	803,195	947,758	1,427,107	2,202,912	2,230,302	3,150,670
LIABILITIES						
Noncurrent Liabilities Outstanding	9,177,415	10,009,131	32,159,647	29,235,567	41,337,062	39,244,698
Other Liabilities	2,411,310	2,381,627	5,881,038	5,362,205	8,292,348	7,743,832
Total Liabilities	11,588,725	12,390,758	38,040,685	34,597,772	49,629,410	46,988,530
DEFERRED INFLOWS OF RESOURCES	1,092,783	1,434,736	1,762,398	2,019,998	2,855,181	3,454,734
Net Position:						
Net Investment in Capital Assets	12,056,417	11,558,102	29,208,437	22,145,464	41,264,854	33,703,566
Restricted	1,584,598	1,562,444	398,331	398,331	1,982,929	1,960,775
Unrestricted	5,406,551	4,857,875	19,006,693	16,944,319	24,413,244	21,802,194
Total Net Position	\$ 19,047,566	\$ 17,978,421	\$ 48,613,461	\$ 39,488,114	\$ 67,661,027	\$ 57,466,535

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City of Windom's net position by \$1,069,145. Contributing to the increase in net position includes building of reserve funds for future capital needs, reimbursement received for prior year expenditures, and tax increments received related to North Windom Industrial Park Development.

Business-Type Activities

Business-type activities increased the City of Windom's net position by \$9,249,627. All major funds (electric, water, sewer, municipal liquor store, telecom, and Windom Hospital) 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:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Fees, Charges, Fines, and Other	\$ 1,488,697	\$ 1,433,241	\$ 34,975,138	\$ 36,785,546	\$ 36,463,835	\$ 38,218,787
Operating Grants and Contributions	210,096	290,730	-	-	210,096	290,730
Capital Grants and Contributions	687,866	347,743	6,332,892	258,783	7,020,758	606,526
General Revenues:						
Property Taxes	1,616,189	1,351,326	429,609	577,055	2,045,798	1,928,381
Tax Increments	895,986	884,229	-	-	895,986	884,229
Other Taxes	49,290	30,097	-	-	49,290	30,097
Grants and Contributions, Not Restricted	1,483,533	1,481,733	4,000	2,108,078	1,487,533	3,589,811
Unrestricted Interest Income	81,212	54,126	371,043	197,661	452,255	251,787
Unrestricted Investment Earnings (Loss)	(215)	1,018	-	-	(215)	1,018
Gain (Loss) on Disposal of Capital Assets	3,000	13,100	235,803	4,787	238,803	17,887
Total Revenues	6,515,654	5,887,343	42,348,485	39,931,910	48,864,139	45,819,253
EXPENSES						
General Government	316,342	673,860	-	-	316,342	673,860
Public Safety	2,085,524	1,950,113	-	-	2,085,524	1,950,113
Public Works	1,678,712	1,271,479	-	-	1,678,712	1,271,479
Culture and Recreation	540,095	633,555	-	-	540,095	633,555
Economic Development	840,132	1,852,484	-	-	840,132	1,852,484
Interest on Long-Term Debt	322,997	256,399	-	-	322,997	256,399
Electric	-	-	5,647,252	5,789,529	5,647,252	5,789,529
Water	-	-	1,030,992	1,046,848	1,030,992	1,046,848
Wastewater	-	-	1,329,047	1,338,910	1,329,047	1,338,910
Liquor Store	-	-	1,928,064	1,900,163	1,928,064	1,900,163
Telecom	-	-	2,607,279	2,725,740	2,607,279	2,725,740
Arena	-	-	498,409	416,048	498,409	416,048
Multi-Purpose	-	-	335,627	298,532	335,627	298,532
River Bluff Townhomes	-	-	82,932	102,800	82,932	102,800
Windom Area Hospital	-	-	19,301,963	17,910,061	19,301,963	17,910,061
Total Expenses	5,783,802	6,637,890	32,761,565	31,528,631	38,545,367	38,166,521
Increase in Net Position Before Transfers	731,852	(750,547)	9,586,920	8,403,279	10,318,772	7,652,732
Transfers	337,293	330,823	(337,293)	(330,823)	-	-
CHANGE IN NET POSITION	1,069,145	(419,724)	9,249,627	8,072,456	10,318,772	7,652,732
Net Position - Beginning of Year	17,978,421	18,398,145	39,363,834	31,415,658	57,342,255	49,813,803
NET POSITION - END OF YEAR	\$ 19,047,566	\$ 17,978,421	\$ 48,613,461	\$ 39,488,114	\$ 67,661,027	\$ 57,466,535

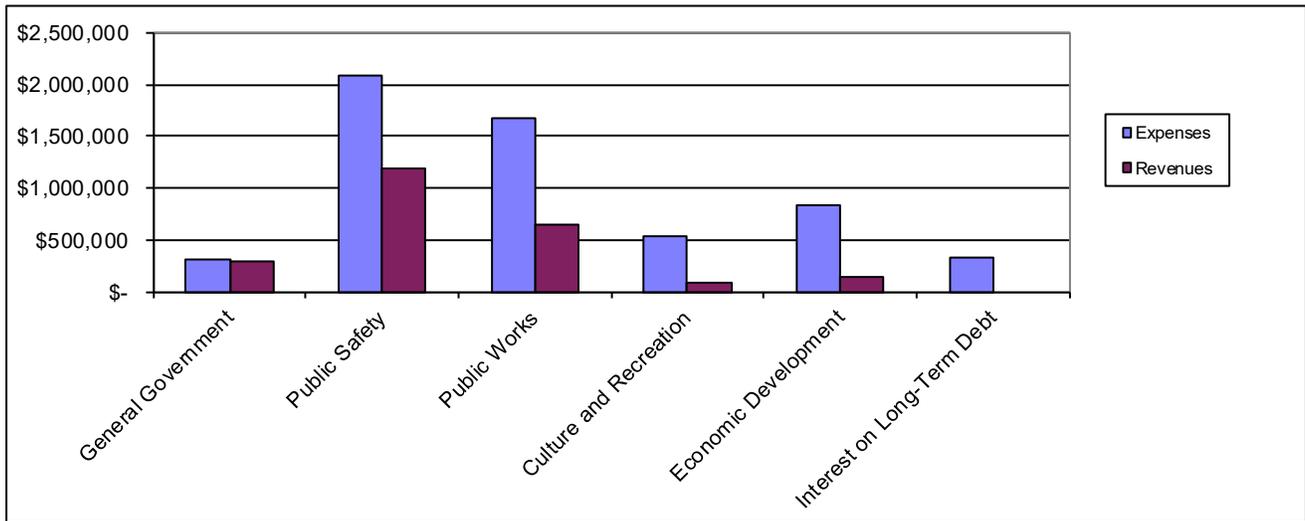
**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

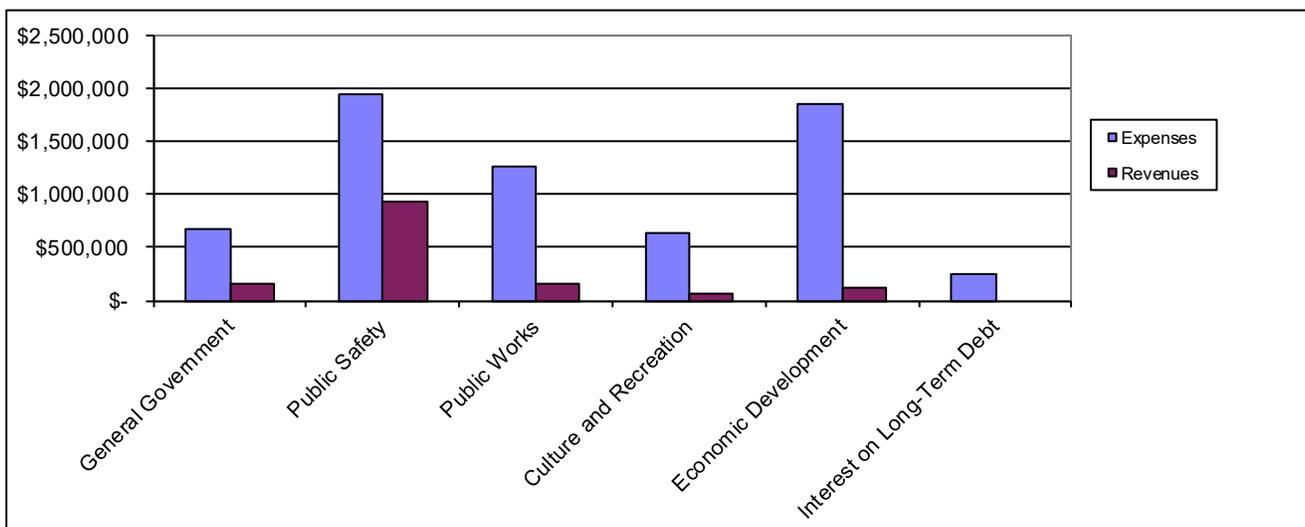
City of Windom's Changes in Net Position (Continued)

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.

**2019
Expenses and Program Revenues – Governmental Activities**



**2018
Expenses and Program Revenues – Governmental Activities**

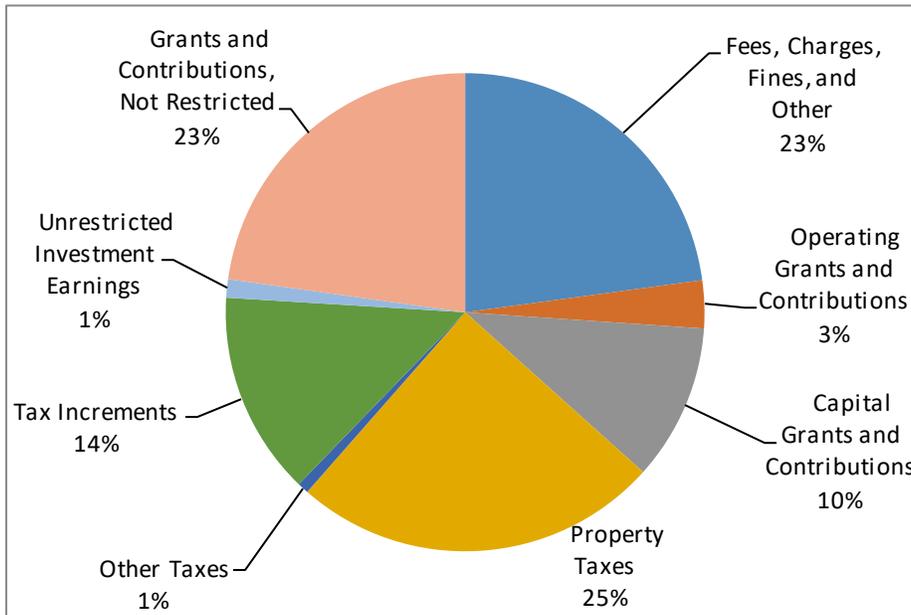


**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

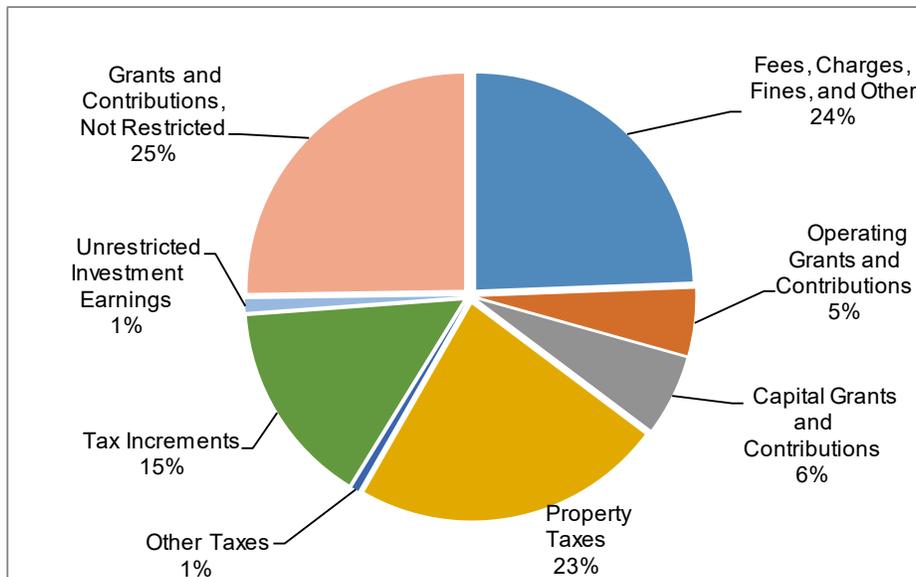
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

**2019
Revenues by Source - Governmental Activities**



**2018
Revenues by Source - Governmental Activities**



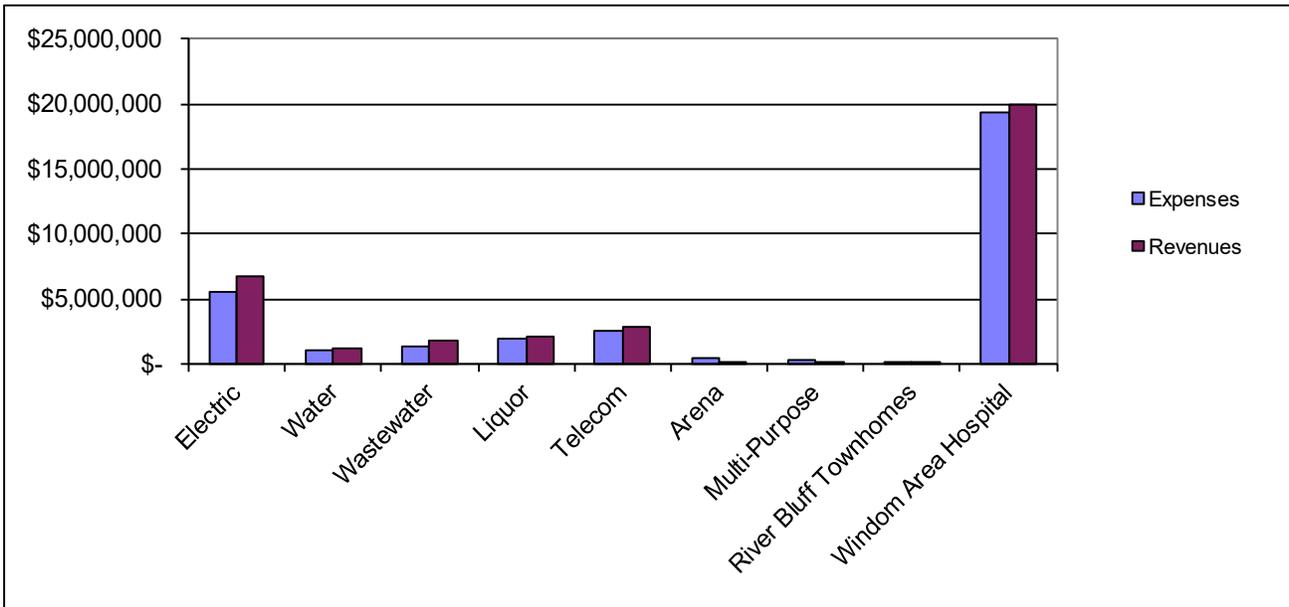
**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

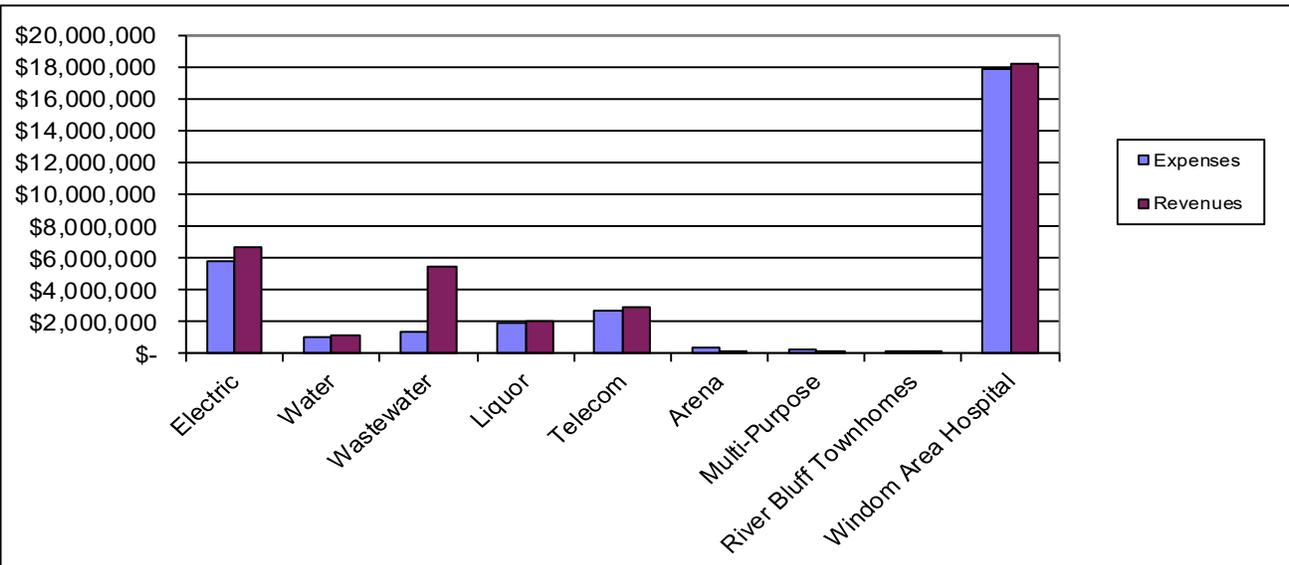
City of Windom's Changes in Net Position (Continued)

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.

**2019
Expenses and Program Revenues – Business-Type Activities**



**2018
Expenses and Program Revenues – Business-Type Activities**



**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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 \$8,427,251, an increase of \$489,979 in comparison with 2018. The City reported an unassigned fund balance in the amount of \$1,754,786. Fund balance of \$261,250 is nonspendable and \$2,285,561 restricted to indicate that it is not available for new spending. At December 31, 2019 fund balances were as follows:

	Balance	Increase (Decrease) From 2018
General Fund	\$ 3,743,625	\$ 333,513
Economic Development Fund	2,484,135	250,444
Other Governmental Funds	2,199,491	(93,978)
Total	\$ 8,427,251	\$ 489,979

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 \$2,314,832.

During the current fiscal year, the City of Windom's general fund balance increased by \$333,513. The increase was primarily due to revenue being allocated to reserve funds for capital spending to be completed in future years.

The increase in the economic development fund balance of \$250,444 was due to tax increments received as a result of development of North Windom Industrial Park.

The decrease in fund balance in the other governmental funds of \$(93,978) was due to funds allocated to complete tennis courts project.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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 2019 was \$12,790,827, of which \$5,865,386 is unrestricted. Net position increased \$1,276,290 during the current year primarily due favorable power cost purchases.

The water fund has total net position of \$4,605,760, of which \$843,742 is unrestricted. The increase in net position of \$145,428 was related to a 2019 rate increase.

The wastewater fund has total net position of \$17,234,779, of which \$5,216,340 is unrestricted. The net position of the wastewater fund increased by \$6,835,342 during 2019. This increase is mostly related to a state grant received for the wastewater treatment plant renovation and Prime Pork's 40% contribution toward an \$18.9 million wastewater treatment renovation as well as.

The liquor fund has total net position of \$760,777. It has unrestricted net position of \$606,852. The net position of the liquor fund increased by \$33,408 during 2019.

The telecom fund reported a deficit net position of (\$7,528,353), a decrease of the deficit from 2018 by \$256,556. The telecom fund continues to look for service expansion opportunities and cost reductions to 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 \$19,188,008. The net position for the hospital fund increased \$858,544 during 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were over budget due mainly to higher than expected building permit and plan review fees and additional government supplemental aid. Expenditures came in under budget due to funding for capital expenditures that will be incurred in 2020 or future years.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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, 2019, amounts to \$76,364,958 (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 \$11,606,329 when compared to 2018. 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	
	2019	2018	2019	As Restated	2019	2018
				2018		
Land	\$ 232,961	\$ 232,961	\$ 519,018	\$ 519,018	\$ 751,979	\$ 751,979
Buildings and Building Improvements	9,716,529	10,024,812	28,524,390	30,081,177	38,240,919	40,105,989
Infrastructure	8,102,013	8,561,169	-	-	8,102,013	8,561,169
Machinery and Equipment	1,673,650	1,658,146	10,249,298	10,352,863	11,922,948	12,011,009
Office Equipment and Furniture	73,835	100,506	136,948	162,613	210,783	263,119
Construction in Progress	923,544	242,190	16,212,772	2,823,174	17,136,316	3,065,364
Total	<u>\$ 20,722,532</u>	<u>\$ 20,819,784</u>	<u>\$ 55,642,426</u>	<u>\$ 43,938,845</u>	<u>\$ 76,364,958</u>	<u>\$ 64,758,629</u>

Long-Term Debt

At the end of the current fiscal year, the City of Windom had total long-term debt outstanding of \$35,882,956. The City of Windom's total long-term debt increased by \$3,704,844 or 11.5% 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 with stable outlook from Standard & Poor's for general obligation debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. Bonds	\$ 7,225,000	\$ 7,770,000	\$ 4,575,000	\$ 4,900,000	\$ 11,800,000	\$ 12,670,000
Revenue Bonds	-	-	20,993,323	16,239,000	20,993,323	16,239,000
Capital Lease Obligation	1,883,000	1,963,000	-	-	1,883,000	1,963,000
Notes Payable	360,311	419,580	846,322	886,532	1,206,633	1,306,112
Total	<u>\$ 9,468,311</u>	<u>\$ 10,152,580</u>	<u>\$ 26,414,645</u>	<u>\$ 22,025,532</u>	<u>\$ 35,882,956</u>	<u>\$ 32,178,112</u>

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- In 2019, Windom signed a Wind Shape Power Purchasing Agreement with CMMPA. The power contract starts at the end of 2020 and runs 15 years. The contract will allow Windom Utilities to continue a goal of providing stable rates into the future.
- An Electric rate study is scheduled to be completed in 2020. The previous study was conducted just over five years ago. Once completed the rate study may suggest revisions to commercial, industrial and residential rates based on costs of power, transmission and power factor.
- Highway 60/71 Corridor Study is currently being conducted by KLJ Engineering as sponsored by MN DOT and the City. This study will research the existing uses of the highway corridor and plan for future traffic growth, land use and movement of freight. The City anticipates some changes to the corridor to enhance pedestrian, vehicular and bicycle safety. This study is intended to be the blueprint for a major corridor re-construction project scheduled for 2028-2030.
- The Telecom Department has researched the viability and cost-efficiency of future methods to deliver cable television programming. The Telecom Commission and City staff aims to deliver an over-the-top video-streaming service by the end of 2020.
- Prime Pork is continuing to ramp up operations and employed approximately 600 people at the end of 2019. Prime Pork utilizes City wastewater and electric which greatly contribute to the revenues for these operations.
- Interest rates on investments have been steady in 2019. Overall the City's investment earnings on its portfolio have increased slightly. Interest rates for CDs, which is the City's main investment tool, appear to be maintaining on the low end (1% - 2.5%) of the historic market range for the upcoming year.

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 9th Street, P.O. Box 38, Windom, Minnesota, 56101.

BASIC FINANCIAL STATEMENTS

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**CITY OF WINDOM, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	2019			April 30, 2019
	Governmental Activities	Business-Type Activities	Total	Windom Area Health Foundation
ASSETS				
Cash and Investments	\$ 6,107,502	\$ 13,352,394	\$ 19,459,896	\$ 257,807
Short-Term Investments	-	2,987,084	2,987,084	-
Cash and Investments with Fiscal Agent	-	398,331	398,331	-
Restricted Cash and Investments	-	5,330,328	5,330,328	135,724
Taxes Receivable	68,043	135,209	203,252	-
Special Assessments Receivable	1,065,349	191,831	1,257,180	-
Accounts Receivable	1,033,727	4,391,357	5,425,084	-
Accrued Interest Receivable	-	90,719	90,719	-
Inventory	261,250	1,165,757	1,427,007	-
Prepaid Items	-	41,864	41,864	-
Loans Receivable	110,640	3,262,137	3,372,777	-
Land Held for Resale	1,141,160	-	1,141,160	-
Net Pension Asset	415,676	-	415,676	-
Capital Assets:				
Land and Construction in Progress	1,156,505	16,731,790	17,888,295	-
Other Capital Assets, Net of Depreciation	19,566,027	38,910,636	58,476,663	-
Total Assets	<u>30,925,879</u>	<u>86,989,437</u>	<u>117,915,316</u>	<u>393,531</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	789,300	1,410,255	2,199,555	-
Other Postemployment Benefits Related	13,895	16,852	30,747	-
Total Deferred Outflows of Resources	<u>803,195</u>	<u>1,427,107</u>	<u>2,230,302</u>	<u>-</u>
LIABILITIES				
Accounts and Contracts Payable	121,296	1,737,644	1,858,940	-
Other Accrued Liabilities	116,589	1,371,761	1,488,350	-
Accrued Interest Payable	102,154	123,331	225,485	-
Unearned Revenue	-	319,122	319,122	-
Estimated Third-Party Payor Settlements	-	384,180	384,180	-
Long-Term Liabilities:				
Due within One Year	803,060	1,945,000	2,748,060	-
Due in More than One Year	9,039,796	24,976,528	34,016,324	-
Net Pension Liability	1,254,316	6,852,859	8,107,175	-
Other Postemployment Benefits Liability:				
Due within One Year	13,895	16,852	30,747	-
Due in More than One Year	137,619	313,408	451,027	-
Total Liabilities	<u>11,588,725</u>	<u>38,040,685</u>	<u>49,629,410</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	1,092,783	1,762,398	2,855,181	-
NET POSITION				
Net Investment in Capital Assets	12,056,417	29,208,437	41,264,854	-
Restricted for:				
Specific Donor Restriction	66,996	-	66,996	135,724
Fire Relief Pension	415,676	-	415,676	-
Debt Service	1,101,926	398,331	1,500,257	-
Unrestricted	5,406,551	19,006,693	24,413,244	257,807
Total Net Position	<u>\$ 19,047,566</u>	<u>\$ 48,613,461</u>	<u>\$ 67,661,027</u>	<u>\$ 393,531</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	2019			
	Expenses	Program Revenues Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 316,342	\$ 127,510	\$ 34,600	\$ 139,689
Public Safety	2,085,524	1,030,656	130,935	25,134
Public Works	1,678,712	123,472	14,485	516,846
Culture and Recreation	540,095	63,031	30,076	-
Economic Development	840,132	144,028	-	6,197
Interest on Long-Term Debt	322,997	-	-	-
Total Governmental Activities	<u>5,783,802</u>	<u>1,488,697</u>	<u>210,096</u>	<u>687,866</u>
Business-Type Activities:				
Electric	5,647,252	6,789,776	-	-
Water	1,030,992	1,214,583	-	7,790
Wastewater	1,329,047	1,837,470	-	6,271,893
Liquor	1,928,064	2,054,756	-	-
Telecom	2,607,279	2,851,232	-	-
Arena	498,409	100,791	-	-
Multi-Purpose Center	335,627	105,688	-	-
River Bluff Townhomes	82,932	96,157	-	-
Windom Area Health	19,301,963	19,924,685	-	53,209
Total Business-Type Activities	<u>32,761,565</u>	<u>34,975,138</u>	<u>-</u>	<u>6,332,892</u>
Total Primary Government	<u>\$ 38,545,367</u>	<u>\$ 36,463,835</u>	<u>\$ 210,096</u>	<u>\$ 7,020,758</u>
Component Unit:				
Windom Area Health Foundation	<u>\$ 25</u>	<u>\$ 20,141</u>	<u>\$ 36,286</u>	<u>\$ -</u>

GENERAL REVENUES

Taxes:

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)

Gain on Sale of Capital Assets

Gain on Sale of Land Held for Resale

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year, as restated

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

2019			April 30, 2019	
Net (Expense) Revenue and Changes in Net Position			Windom Area Health Foundation	
Governmental Activities	Business-Type Activities	Total		
\$ (14,543)	\$ -	\$ (14,543)	\$ -	-
(898,799)	-	(898,799)	-	-
(1,023,909)	-	(1,023,909)	-	-
(446,988)	-	(446,988)	-	-
(689,907)	-	(689,907)	-	-
(322,997)	-	(322,997)	-	-
<u>(3,397,143)</u>	<u>-</u>	<u>(3,397,143)</u>	<u>-</u>	<u>-</u>
-	1,142,524	1,142,524	-	-
-	191,381	191,381	-	-
-	6,780,316	6,780,316	-	-
-	126,692	126,692	-	-
-	243,953	243,953	-	-
-	(397,618)	(397,618)	-	-
-	(229,939)	(229,939)	-	-
-	13,225	13,225	-	-
-	675,931	675,931	-	-
<u>-</u>	<u>8,546,465</u>	<u>8,546,465</u>	<u>-</u>	<u>-</u>
(3,397,143)	8,546,465	5,149,322	-	-
-	-	-	56,402	-
1,616,189	429,609	2,045,798	-	-
895,986	-	895,986	-	-
49,290	-	49,290	-	-
1,483,533	4,000	1,487,533	-	-
81,212	371,043	452,255	-	-
(215)	-	(215)	-	-
-	235,803	235,803	-	-
3,000	-	3,000	-	-
337,293	(337,293)	-	(32,583)	-
<u>4,466,288</u>	<u>703,162</u>	<u>5,169,450</u>	<u>(32,583)</u>	<u>-</u>
1,069,145	9,249,627	10,318,772	23,819	-
17,978,421	39,363,834	57,342,255	369,712	-
<u>\$ 19,047,566</u>	<u>\$ 48,613,461</u>	<u>\$ 67,661,027</u>	<u>\$ 393,531</u>	<u>-</u>

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,734,539	\$ 1,034,591	\$ 2,312,695	\$ 6,081,825
Property Taxes Receivable	68,043	-	-	68,043
Special Assessments Receivable	23,316	26,765	1,015,268	1,065,349
Accounts Receivable	552,070	6,296	475,361	1,033,727
Due from Other Funds	522,502	-	-	522,502
Inventory	55,550	205,700	-	261,250
Loans Receivable, Net of Allowance	-	110,640	-	110,640
Land Held for Resale	-	1,141,160	-	1,141,160
	\$ 3,956,020	\$ 2,525,152	\$ 3,803,324	\$ 10,284,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts and Contracts Payable	\$ 33,710	\$ 9,780	\$ 16,428	\$ 59,918
Other Accrued Liabilities	95,837	4,472	51,981	152,290
Due to Other Funds	-	-	522,502	522,502
Total Liabilities	129,547	14,252	590,911	734,710
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	82,848	26,765	1,012,922	1,122,535
FUND BALANCES (DEFICITS)				
Nonspendable	55,550	205,700	-	261,250
Restricted	-	1,026,635	1,258,926	2,285,561
Committed	67,650	-	-	67,650
Assigned	1,305,593	1,251,800	1,500,611	4,058,004
Unassigned	2,314,832	-	(560,046)	1,754,786
Total Fund Balances (Deficits)	3,743,625	2,484,135	2,199,491	8,427,251
Total Liabilities and Fund Balances	\$ 3,956,020	\$ 2,525,152	\$ 3,803,324	\$ 10,284,496

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, 2019**

Total Fund Balance for Governmental Funds \$ 8,427,251

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
Construction in Progress	923,544
Buildings and Building Improvements	12,977,190
Machinery and Equipment	8,835,584
Infrastructure	18,304,737
Office Equipment and Furniture	208,689
Less: Accumulated Depreciation	(20,760,173)

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. 1,122,535

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. (102,154)

The City's net pension asset is recorded only on the statement of net position. 415,676

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	(7,225,000)
Unamortized Discounts and Premium	(140,725)
Note Payable	(360,311)
Capital Lease Obligation	(1,883,000)
Deferred Outflows of Resources - Pensions	789,300
Deferred Outflows of Resources - Other Postemployment Benefits	13,895
Deferred Inflows of Resources - Pensions	(1,092,783)
Net Pension Liability	(1,254,316)
Other Postemployment Benefits Liability	(151,514)
Compensated Absences Payable	(233,820)

Total Net Position of Governmental Activities \$ 19,047,566

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019**

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General Property Taxes	\$ 1,075,416	\$ 79,967	\$ 460,806	\$ 1,616,189
Tax Increments	-	895,986	-	895,986
Other Taxes	49,290	-	-	49,290
Licenses and Permits	92,169	-	-	92,169
Intergovernmental	2,215,989	-	161,803	2,377,792
Special Assessments	(2,844)	6,361	-	3,517
Charges for Services	299,522	-	827,853	1,127,375
Fines and Forfeits	17,854	-	-	17,854
Interest Income	57,832	849	22,531	81,212
Refunds and Reimbursements	85,051	-	929	85,980
Grants and Contributions	44,649	5,000	-	49,649
Miscellaneous	6,081	143,813	18,485	168,379
Total Revenues	<u>3,941,009</u>	<u>1,131,976</u>	<u>1,492,407</u>	<u>6,565,392</u>
EXPENDITURES				
Current:				
General Government	424,872	-	-	424,872
Public Safety	1,376,768	-	487,303	1,864,071
Public Works	760,538	-	129,302	889,840
Culture and Recreation	500,098	-	-	500,098
Economic Development	-	685,341	-	685,341
Capital Outlay:				
General Government	32,625	-	-	32,625
Public Safety	62,813	-	93,752	156,565
Public Works	830,312	-	10,224	840,536
Culture and Recreation	52,330	-	-	52,330
Economic Development	-	31,126	-	31,126
Capital Leases:				
Principal	-	-	80,000	80,000
Interest and Fiscal Charges	-	-	53,633	53,633
Debt Service:				
Principal	-	79,269	525,000	604,269
Interest and Fiscal Charges	950	55,864	165,796	222,610
Total Expenditures	<u>4,041,306</u>	<u>851,600</u>	<u>1,545,010</u>	<u>6,437,916</u>
REVENUE OVER (UNDER) EXPENDITURES	(100,297)	280,376	(52,603)	127,476
OTHER FINANCING SOURCES (USES)				
Transfer In	517,250	-	488,848	1,006,098
Transfer Out	(105,650)	(29,932)	(533,223)	(668,805)
Sale of Land Held for Resale	22,210	-	3,000	25,210
Total Other Financing Sources (Uses)	<u>433,810</u>	<u>(29,932)</u>	<u>(41,375)</u>	<u>362,503</u>
NET CHANGE IN FUND BALANCE	333,513	250,444	(93,978)	489,979
Fund Balance - Beginning of Year	<u>3,410,112</u>	<u>2,233,691</u>	<u>2,293,469</u>	<u>7,937,272</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,743,625</u>	<u>\$ 2,484,135</u>	<u>\$ 2,199,491</u>	<u>\$ 8,427,251</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ 489,979

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	1,023,281
Loss on Disposal of Capital Assets	(783)
Depreciation Expense	(1,119,750)

Pension expenses on the governmental funds are measured by current year employer 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. 36,395

Other postemployment benefits expenditures on the governmental funds are measured by current year employer contributions. Other postemployment benefits activity on the statement of activities are measured by the change in net other postemployment benefits liability and the related deferred inflows and outflows of resources. 16,961

The governmental funds report bond and capital lease proceeds as financing sources, while repayment of 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 Capital Lease Obligations	80,000
Repayment of Bond Principal and Note Payable	604,269
Change in Accrued Interest Expense for General Obligation Bonds	15,240
Amortization of Bond Premium	9,256

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. (74,948)

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). (10,755)

Change in Net Position of Governmental Activities \$ 1,069,145

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CITY OF WINDOM, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
General Property Taxes	\$ 1,064,266	\$ 1,064,266	\$ 1,075,416	\$ 11,150
Other Taxes	27,000	27,000	49,290	22,290
Licenses and Permits	67,420	67,420	92,169	24,749
Intergovernmental	2,160,442	2,160,442	2,215,989	55,547
Special Assessments	871	871	(2,844)	(3,715)
Charges for Services	299,160	299,510	299,522	12
Fines and Forfeits	26,500	26,500	17,854	(8,646)
Investment Earnings	10,000	10,000	57,832	47,832
Refunds/Reimbursements	50,000	50,000	85,051	35,051
Grants and Contributions	2,000	2,000	44,649	42,649
Miscellaneous	7,380	6,580	6,081	(499)
Total Revenues	<u>3,715,039</u>	<u>3,714,589</u>	<u>3,941,009</u>	<u>226,420</u>
EXPENDITURES				
General Government:				
Mayor and Council:	115,540	115,540	135,929	(20,389)
Financial Administration	138,600	138,600	128,664	9,936
Building and Zoning	141,073	141,073	130,323	10,750
City Hall	36,050	36,050	29,956	6,094
Total General Government	<u>431,263</u>	<u>431,263</u>	<u>424,872</u>	<u>6,391</u>
Public Safety:				
Police Protection	1,192,882	1,192,882	1,200,252	(7,370)
Fire Protection	177,431	177,431	169,760	7,671
Civil Defense	5,886	5,886	5,935	(49)
Animal Control	2,700	2,700	821	1,879
Total Public Safety	<u>1,378,899</u>	<u>1,378,899</u>	<u>1,376,768</u>	<u>2,131</u>
Public Works:				
Street Department	553,368	553,368	627,215	(73,847)
Sanitation	22,000	22,000	27,822	(5,822)
Airport	116,639	116,639	105,501	11,138
Total Public Works	<u>692,007</u>	<u>692,007</u>	<u>760,538</u>	<u>(68,531)</u>
Culture and Recreation:				
Parks	248,487	248,487	214,266	34,221
Library	209,991	209,991	185,674	24,317
Pool	120,494	120,494	100,158	20,336
Total Culture and Recreation	<u>578,972</u>	<u>578,972</u>	<u>500,098</u>	<u>78,874</u>
Capital Outlay	1,032,656	1,032,656	978,080	54,576
Debt Service:				
Interest and Fiscal Charges	-	-	950	(950)
Total Expenditures	<u>4,113,797</u>	<u>4,113,797</u>	<u>4,041,306</u>	<u>72,491</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(398,758)</u>	<u>(399,208)</u>	<u>(100,297)</u>	<u>298,911</u>
OTHER FINANCING SOURCES (USES)				
Sale of Land Held for Resale	-	-	22,210	22,210
Transfer In	541,750	541,750	517,250	(24,500)
Transfer Out	(57,035)	(57,035)	(105,650)	(48,615)
Total Other Financing Sources (Uses)	<u>484,715</u>	<u>484,715</u>	<u>433,810</u>	<u>(50,905)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 85,957</u>	<u>\$ 85,507</u>	<u>333,513</u>	<u>\$ 248,006</u>
Fund Balance - Beginning of Year			<u>3,410,112</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,743,625</u>	

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS	Electric	Water	Liquor
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 4,318,361	\$ 838,926	\$ 557,160
Short-Term Investments	-	-	-
Cash and Investments with Fiscal Agent	-	-	-
Restricted Cash and Investments	-	-	-
Accounts Receivable, Net of Allowance	725,874	126,395	15,344
Accrued Interest Receivable	-	-	-
Other Receivables	-	-	-
Special Assessments Receivable:	-	124,393	-
Loan Receivable	-	-	-
Due from Other Funds	1,282,108	-	-
Inventory	548,649	42,442	299,705
Prepaid Items	-	-	-
Total Current Assets	<u>6,874,992</u>	<u>1,132,156</u>	<u>872,209</u>
LONG-TERM ASSETS			
Capital Assets:			
Land, Buildings, Infrastructure, and Improvements	12,520,305	8,403,992	402,336
Equipment	2,493,799	4,381,155	123,159
Construction in Progress	644,595	-	-
Total Capital Assets	<u>15,658,699</u>	<u>12,785,147</u>	<u>525,495</u>
Less: Allowance for Depreciation	<u>(8,733,258)</u>	<u>(7,133,073)</u>	<u>(371,570)</u>
Total Net Capital Assets	<u>6,925,441</u>	<u>5,652,074</u>	<u>153,925</u>
Total Long-Term Assets	<u>6,925,441</u>	<u>5,652,074</u>	<u>153,925</u>
Total Assets	13,800,433	6,784,230	1,026,134
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	26,196	11,050	9,548
Other Postemployment Benefits Related	4,139	1,774	1,183
Total Deferred Outflows of Resources	<u>30,335</u>	<u>12,824</u>	<u>10,731</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts and Contracts Payable	357,474	5,439	50,786
Accrued Expenses	23,881	12,946	38,596
Due to Other Funds	-	-	-
Accrued Interest	-	20,080	-
Estimated Third-Party Payor Settlements	-	-	-
Unearned Revenue	83,690	-	-
Other Postemployment Benefits Liability - Current Portion	4,139	1,774	1,183
Bonds Payable - Current Portion	-	168,400	-
Total Current Liabilities	<u>469,184</u>	<u>208,639</u>	<u>90,565</u>
LONG-TERM LIABILITIES			
Compensated Absences - Long-Term	110,311	58,640	20,930
Net Pension Liability	345,687	145,804	125,995
Other Postemployment Benefits Liability	40,994	17,567	11,712
Bonds Payable - Long-Term	-	1,729,530	-
Total Long-Term Liabilities	<u>496,992</u>	<u>1,951,541</u>	<u>158,637</u>
Total Liabilities	966,176	2,160,180	249,202
DEFERRED INFLOWS OF RESOURCES			
Pension Related	73,765	31,114	26,886
NET POSITION			
Net Investment in Capital Assets	6,925,441	3,762,018	153,925
Restricted for Debt Service	-	-	-
Unrestricted	<u>5,865,386</u>	<u>843,742</u>	<u>606,852</u>
Total Net Position	<u>\$ 12,790,827</u>	<u>\$ 4,605,760</u>	<u>\$ 760,777</u>

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Health April 30, 2019	Other Proprietary Funds	Total
\$ 1,960,560	\$ -	\$ 5,064,360	\$ 613,027	\$ 13,352,394
-	-	2,987,084	-	2,987,084
-	-	398,331	-	398,331
-	834,079	4,496,249	-	5,330,328
344,122	275,797	2,870,768	33,057	4,391,357
-	-	90,719	-	90,719
-	-	135,209	-	135,209
67,438	-	-	-	191,831
3,262,137	-	-	-	3,262,137
-	-	-	-	1,282,108
-	48,919	226,042	-	1,165,757
-	-	41,864	-	41,864
<u>5,634,257</u>	<u>1,158,795</u>	<u>16,310,626</u>	<u>646,084</u>	<u>32,629,119</u>
12,056,845	5,026,483	15,890,308	5,655,223	59,955,492
1,658,562	6,058,058	12,613,200	679,695	28,007,628
<u>14,471,519</u>	<u>147,581</u>	<u>949,077</u>	<u>-</u>	<u>16,212,772</u>
28,186,926	11,232,122	29,452,585	6,334,918	104,175,892
<u>(6,708,241)</u>	<u>(8,835,192)</u>	<u>(13,564,536)</u>	<u>(3,187,596)</u>	<u>(48,533,466)</u>
<u>21,478,685</u>	<u>2,396,930</u>	<u>15,888,049</u>	<u>3,147,322</u>	<u>55,642,426</u>
<u>21,478,685</u>	<u>2,396,930</u>	<u>15,888,049</u>	<u>3,147,322</u>	<u>55,642,426</u>
27,112,942	3,555,725	32,198,675	3,793,406	88,271,545
16,628	22,800	1,312,179	11,854	1,410,255
<u>2,956</u>	<u>3,548</u>	<u>-</u>	<u>3,252</u>	<u>16,852</u>
<u>19,584</u>	<u>26,348</u>	<u>1,312,179</u>	<u>15,106</u>	<u>1,427,107</u>
315,769	78,456	919,275	10,445	1,737,644
33,811	21,874	1,139,633	101,020	1,371,761
-	1,282,108	-	-	1,282,108
57,537	31,852	-	13,862	123,331
-	-	384,180	-	384,180
-	226,516	-	8,916	319,122
2,956	3,548	-	3,252	16,852
<u>887,600</u>	<u>605,000</u>	<u>225,000</u>	<u>59,000</u>	<u>1,945,000</u>
<u>1,297,673</u>	<u>2,249,354</u>	<u>2,668,088</u>	<u>196,495</u>	<u>7,179,998</u>
52,594	103,400	-	29,920	375,795
219,426	300,849	5,558,685	156,413	6,852,859
29,281	35,136	146,510	32,208	313,408
<u>8,251,951</u>	<u>8,357,489</u>	<u>4,463,327</u>	<u>1,798,436</u>	<u>24,600,733</u>
<u>8,553,252</u>	<u>8,796,874</u>	<u>10,168,522</u>	<u>2,016,977</u>	<u>32,142,795</u>
9,850,925	11,046,228	12,836,610	2,213,472	39,322,793
46,822	64,198	1,486,236	33,377	1,762,398
12,018,439	(6,140,993)	11,199,722	1,289,885	29,208,437
-	-	398,331	-	398,331
<u>5,216,340</u>	<u>(1,387,360)</u>	<u>7,589,955</u>	<u>271,778</u>	<u>19,006,693</u>
<u>\$ 17,234,779</u>	<u>\$ (7,528,353)</u>	<u>\$ 19,188,008</u>	<u>\$ 1,561,663</u>	<u>\$ 48,613,461</u>

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2019**

	Electric	Water	Liquor
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ 2,054,756
Costs of Goods Sold	-	-	(1,508,025)
Charges for Services	6,789,776	1,210,085	-
Charges for Materials and Labor	-	4,498	-
Facility Use/Other Revenue	-	-	-
Total Gross Profit and Operating Revenues	<u>6,789,776</u>	<u>1,214,583</u>	<u>546,731</u>
OPERATING EXPENSES			
Cost of Power	3,885,695	-	-
Personal Services	468,179	294,269	247,615
Other Professional Services	-	-	-
Administrative and General	645,898	266,351	142,485
Depreciation and Amortization	647,480	418,912	29,939
Other Operating Expense	-	13,209	-
Total Operating Expenses	<u>5,647,252</u>	<u>992,741</u>	<u>420,039</u>
OPERATING INCOME (LOSS)	1,142,524	221,842	126,692
OTHER INCOME (EXPENSES)			
Interest Income	113,245	-	6,716
Interest Expense	-	(38,251)	-
Gain (Loss) on Sale of Fixed Assets	219,871	-	-
Taxes and Special Assessments	-	7,790	-
Contributions and Reimbursements	-	-	-
Total Other Income (Expenses)	<u>333,116</u>	<u>(30,461)</u>	<u>6,716</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,475,640	191,381	133,408
CONTRIBUTIONS AND TRANSFERS			
Transfers In	1,400	-	-
Transfers Out	(200,750)	(45,953)	(100,000)
Capital Contributions (Distributions)	-	-	-
Total Contributions and Transfers	<u>(199,350)</u>	<u>(45,953)</u>	<u>(100,000)</u>
CHANGE IN NET POSITION	1,276,290	145,428	33,408
Net Position - Beginning of Year, as restated	<u>11,514,537</u>	<u>4,460,332</u>	<u>727,369</u>
NET POSITION - END OF YEAR	<u>\$ 12,790,827</u>	<u>\$ 4,605,760</u>	<u>\$ 760,777</u>

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Health April 30, 2019	Other Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,054,756
-	-	-	-	(1,508,025)
1,837,470	2,851,232	19,686,558	-	32,375,121
-	-	-	-	4,498
-	-	238,127	302,636	540,763
<u>1,837,470</u>	<u>2,851,232</u>	<u>19,924,685</u>	<u>302,636</u>	<u>33,467,113</u>
-	-	-	-	3,885,695
383,288	543,263	5,518,612	273,176	7,728,402
-	-	6,185,894	-	6,185,894
433,481	1,413,606	6,045,695	440,221	9,387,737
407,537	339,892	1,371,219	166,587	3,381,566
-	19,984	180,543	-	213,736
<u>1,224,306</u>	<u>2,316,745</u>	<u>19,301,963</u>	<u>879,984</u>	<u>30,783,030</u>
613,164	534,487	622,722	(577,348)	2,684,083
53,231	16,253	166,681	14,917	371,043
(104,741)	(290,534)	-	(36,984)	(470,510)
-	-	15,932	-	235,803
3,843	-	-	429,609	441,242
6,268,050	-	-	4,000	6,272,050
<u>6,220,383</u>	<u>(274,281)</u>	<u>182,613</u>	<u>411,542</u>	<u>6,849,628</u>
6,833,547	260,206	805,335	(165,806)	9,533,711
29,932	-	-	77,615	108,947
(28,137)	(3,650)	-	(67,750)	(446,240)
-	-	53,209	-	53,209
<u>1,795</u>	<u>(3,650)</u>	<u>53,209</u>	<u>9,865</u>	<u>(284,084)</u>
6,835,342	256,556	858,544	(155,941)	9,249,627
<u>10,399,437</u>	<u>(7,784,909)</u>	<u>18,329,464</u>	<u>1,717,604</u>	<u>39,363,834</u>
<u>\$ 17,234,779</u>	<u>\$ (7,528,353)</u>	<u>\$ 19,188,008</u>	<u>\$ 1,561,663</u>	<u>\$ 48,613,461</u>

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2019**

	Electric	Water	Liquor
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 6,695,752	\$ 1,193,691	\$ 2,058,756
Cash Paid to Suppliers	(4,502,038)	(284,909)	(1,724,645)
Cash Paid to Employees	(547,949)	(292,181)	(210,602)
Net Cash Provided (Used) by Operating Activities	1,645,765	616,601	123,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (In) Out	(199,350)	(45,953)	(100,000)
Advance to Other Funds	47,541	-	-
Due to Other Funds	(100,248)	-	-
Loans	-	-	-
Property Tax Revenues	-	7,790	-
Miscellaneous Revenues	-	-	-
Payments from Escrow Account	-	-	-
Intergovernmental Revenues	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(252,057)	(38,163)	(100,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Bonds	-	-	-
Capital Grants and Contributions	-	-	-
Acquisition and Construction of Capital Assets	(658,588)	(6,337)	-
Interest Paid on Revenue Bonds	-	(51,587)	-
Principal Payments on Bonds and Notes	-	(250,000)	-
Net Cash Used by Capital and Related Financing Activities	(658,588)	(307,924)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	-	-	-
Sale of Investments	-	-	-
Expenses Paid on Behalf of Related Party	-	-	-
Transfer from (to) Related Party	-	-	-
Investment Income (Loss)	113,245	-	6,716
Proceeds from Sale of Capital Assets	229,167	-	-
Net Cash Provided by Investing Activities	342,412	-	6,716
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,077,532	270,514	30,225
Cash and Cash Equivalents - Beginning of Year	3,240,829	568,412	526,935
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,318,361	\$ 838,926	\$ 557,160
NONCASH TRANSACTIONS			
Capital Asset Additions in Construction Payable	\$ -	\$ -	\$ -
Amortized Bond Premiums and Discounts	-	(3,074)	-
Total Noncash Investing, Capital, and Financing Activities	\$ -	\$ (3,074)	\$ -

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Health April 30, 2019	Other Proprietary Funds	Total
\$ 2,763,016	\$ 2,871,612	\$ 19,554,621	\$ 275,122	\$ 35,412,570
(655,070)	(1,415,795)	(11,141,296)	(527,468)	(20,251,221)
(387,229)	(566,179)	(6,832,830)	(281,558)	(9,118,528)
<u>1,720,717</u>	<u>889,638</u>	<u>1,580,495</u>	<u>(533,904)</u>	<u>6,042,821</u>
1,795	(3,650)	-	9,865	(337,293)
49,208	-	-	-	96,749
-	100,248	-	-	-
362,085	-	-	-	362,085
11,470	-	-	429,609	448,869
-	-	-	4,000	4,000
-	(16,253)	-	-	(16,253)
6,268,050	-	-	-	6,268,050
<u>6,692,608</u>	<u>80,345</u>	<u>-</u>	<u>443,474</u>	<u>6,826,207</u>
6,378,656	-	-	-	6,378,656
-	-	53,209	-	53,209
(12,663,082)	(109,030)	(1,697,417)	(20,562)	(15,155,016)
(102,880)	(308,676)	(176,615)	(51,732)	(691,490)
(872,333)	(585,000)	(220,000)	(62,210)	(1,989,543)
<u>(7,259,639)</u>	<u>(1,002,706)</u>	<u>(2,040,823)</u>	<u>(134,504)</u>	<u>(11,404,184)</u>
-	-	(7,235,334)	-	(7,235,334)
-	-	7,131,692	-	7,131,692
-	-	(26,583)	-	(26,583)
-	-	26,583	-	26,583
53,231	16,253	166,681	14,917	371,043
-	-	-	-	229,167
<u>53,231</u>	<u>16,253</u>	<u>63,039</u>	<u>14,917</u>	<u>496,568</u>
1,206,917	(16,470)	(397,289)	(210,017)	1,961,412
<u>753,643</u>	<u>16,470</u>	<u>5,461,649</u>	<u>823,044</u>	<u>11,390,982</u>
<u>\$ 1,960,560</u>	<u>\$ -</u>	<u>\$ 5,064,360</u>	<u>\$ 613,027</u>	<u>\$ 13,352,394</u>
\$ 312,823	\$ -	\$ -	\$ -	\$ 312,823
(6,212)	(3,338)	-	-	(12,624)
<u>\$ 306,611</u>	<u>\$ (3,338)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,199</u>

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>Electric</u>	<u>Water</u>	<u>Liquor</u>
Operating Income (Loss)	\$ 1,142,524	\$ 221,842	\$ 126,692
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Provision for Bad Debts	-	-	-
Depreciation and Amortization	647,480	418,912	29,939
Amortization	-	-	-
Pension Adjustments	(20,571)	1,850	(240)
OPEB Adjustments	(5,052)	(2,166)	(1,444)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(92,399)	(20,892)	4,000
(Increase) Decrease in Deferred Outflows of Resources	-	-	-
(Increase) Decrease in Accrued Interest Receivable	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-
(Increase) Decrease in Inventory	73,107	(5,284)	(30,333)
Increase (Decrease) in Accounts and Contracts Payable	(17,929)	(3,939)	(42,118)
Increase (Decrease) in Net Pension Liability	-	-	-
Increase (Decrease) in Deferred Inflows of Resources	-	-	-
Increase (Decrease) in Accrued Expenses	(72,462)	4,190	33,114
Increase (Decrease) in Due to Other Governments	-	-	-
Increase (Decrease) in Unearned Revenue	(1,625)	-	-
Increase (Decrease) in Accrued Compensated Absences	(7,308)	2,088	3,899
	<u>\$ 1,645,765</u>	<u>\$ 616,601</u>	<u>\$ 123,509</u>

See accompanying Notes to Financial Statements.

Wastewater	Telecom	Windom Area Health April 30, 2019	Other Proprietary Funds	Total
\$ 613,164	\$ 534,487	\$ 622,722	\$ (577,348)	\$ 2,684,083
-	-	365,727	-	365,727
407,537	339,892	1,371,219	166,587	3,381,566
-	-	1,268	-	1,268
(7,627)	7,616	-	(35,435)	(54,407)
(3,609)	(4,332)	-	(3,970)	(20,573)
925,546	16,510	(878,312)	(28,084)	(73,631)
-	-	637,734	-	637,734
-	-	(41,877)	-	(41,877)
-	-	(46,916)	-	(46,916)
-	-	-	-	37,490
(210,353)	(8,831)	226,650	(47,842)	(104,362)
-	-	(866,858)	-	(866,858)
-	-	(141,745)	-	(141,745)
23,363	23,342	146,485	6,592	164,624
-	(17,517)	184,398	-	166,881
-	3,870	-	570	2,815
(27,304)	(5,399)	-	(14,974)	(48,998)
<u>\$ 1,720,717</u>	<u>\$ 889,638</u>	<u>\$ 1,580,495</u>	<u>\$ (533,904)</u>	<u>\$ 6,042,821</u>

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NOTES TO FINANCIAL STATEMENTS

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**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 as applicable to governmental units. The following is a summary of its significant policies.

A. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Windom and its component units. 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 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

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.

Windom Area Health and Foundation

The Windom Area Health (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 Health 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 Health Foundation (the Foundation). The Foundation is a 501(c)(3) organization whose sole purpose is to support the Hospital. Windom Area Health 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 (blended component unit) because the City Council is the governing board for the WAH. The Foundation is reported as a discretely presented component unit in the City's financial statements. Separately issued financials statements are available for WAH and its Foundation by contacting WAH.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 units. 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.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 Health 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.

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.

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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 Health 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.
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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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, 2019, 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, 2019, restricted cash and investments consisted of Minnesota Municipal Money Market held by 4M and 4M Plus Fund. These assets are for a debt service reserve fund required under a bond agreement.

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 (Continued)

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.

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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)

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, 2019, the allowance for uncollectible accounts was approximately \$366,000.

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 the lower of cost or net realizable 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.

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 sheet and proprietary fund statement of net position.

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.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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)

12. Capital Assets

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated acquisition 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.

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 three 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 acquisition value at the time received.

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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)

14. Pension Asset/Liability

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Windom Fire Department Relief Association Plan (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of 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.

15. Other Postemployment Benefit (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City's OPEB Plan (the Plan) 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, the Plan recognized benefit payments when due and payable in accordance with the benefit terms.

16. 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.

The City's liabilities for compensated absences, pension and OPEB related to governmental activities are generally liquidated by the General Fund.

17. 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 and OPEB related deferred outflows of resources can be found in Notes 5, 10, and 11 to the financial statements.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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)

18. 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 second type of deferred inflow of resources relates to pension activity as described in Notes 5 and 10.

19. 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 statement of net position and statement of activities.

20. 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.

21. 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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)

21. Fund Balance (Continued)

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. The City's policy is to maintain an unrestricted fund balance in the General Fund an amount not less than 35% or more than 60% of the next year's budgeted expenditures of the General Fund.

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.

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, 2019, 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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;
- 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

As of December 31, 2019, the City and the Hospital had the following investments:

External Investment Pools –

	Amortized Cost
Minnesota Municipal Money Market Fund- Liquid Asset Fund	\$ 346,647
Minnesota Municipal Money Market Fund Plus- Liquid Asset Fund	2,156,954
Total	\$ 2,503,601

The Minnesota Municipal Money Market Fund Liquid Asset Fund (4M) is an external investment pool not registered with the Securities and Exchange Commission (SEC). There are no restrictions on withdrawals from the 4M Liquid Asset Fund, and withdrawals may be effected on a same day basis. All investments in the 4M Plus Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days' interest on the amount withdrawn (calculated using the dividend rates in effect for the 7-day period immediately preceding the withdrawal date). The penalty will be payable even if the amount withdrawn had not been invested in the 4M Plus Fund for the full 7-day period preceding the withdrawal. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date of that series, a 7-days' notice of redemption is required and a penalty may be assessed. The fair value of the presentation in the pool is the same as the value of the pool shares.

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.

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.

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:

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The deposits and investments are presented in the financial statement as follows:

Cash on Hand	\$ 2,485
Deposits	16,368,273
External Investment Pool	2,503,601
Certificates of Deposits	9,301,280
Total Cash and Investments	<u>\$ 28,175,639</u>
Cash and Investments	\$ 19,459,896
Short-Term Investments	2,987,084
Cash and Investments with Fiscal Agent	398,331
Restricted Cash and Investments	5,330,328
Total Cash and Investments	<u>\$ 28,175,639</u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 232,961	\$ -	\$ -	\$ -	\$ 232,961
Construction in Progress	242,190	681,354	-	-	923,544
Total Capital Assets, Not Being Depreciated	475,151	681,354	-	-	1,156,505
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	12,936,318	40,872	-	-	12,977,190
Office Equipment and Furniture	208,689	-	-	-	208,689
Machinery and Equipment	8,555,703	301,055	(21,174)	-	8,835,584
Infrastructure	18,304,737	-	-	-	18,304,737
Total Capital Assets, Being Depreciated	40,005,447	341,927	(21,174)	-	40,326,200
Accumulated Depreciation for:					
Buildings and Building Improvements	(2,911,506)	(349,155)	-	-	(3,260,661)
Improvements	-	-	-	-	-
Office Equipment and Furniture	(108,183)	(26,671)	-	-	(134,854)
Machinery and Equipment	(6,897,557)	(284,768)	20,391	-	(7,161,934)
Infrastructure	(9,743,568)	(459,156)	-	-	(10,202,724)
Total Accumulated Depreciation	(19,660,814)	(1,119,750)	20,391	-	(20,760,173)
Total Capital Assets, Being Depreciated, Net	20,344,633	(777,823)	(783)	-	19,566,027
Governmental Activities Capital Assets, Net	<u>\$ 20,819,784</u>	<u>\$ (96,469)</u>	<u>\$ (783)</u>	<u>\$ -</u>	<u>\$ 20,722,532</u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 331,943
Public Safety	286,960
Public Works	392,619
Culture and Recreation	23,188
Economic Development	85,040
Total Depreciation Expense, Governmental Activities	\$ 1,119,750

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 519,018	\$ -	\$ -	\$ -	\$ 519,018
Construction in Progress	2,823,174	14,807,497	(360,583)	(1,057,316)	16,212,772
Total Capital Assets, not Being Depreciated	3,342,192	14,807,497	(360,583)	(1,057,316)	16,731,790
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	58,770,442	196,009	(68,653)	443,031	59,340,829
Office Equipment and Furniture	606,308	-	-	-	606,308
Machinery and Shop Equipment	26,731,313	512,094	(360,727)	614,285	27,496,965
Total Capital Assets, Being Depreciated	86,108,063	708,103	(429,380)	1,057,316	87,444,102
Accumulated Depreciation for:					
Buildings and Building Improvements	(28,689,265)	(2,195,798)	68,624	-	(30,816,439)
Office Equipment and Furniture	(443,695)	(25,665)	-	-	(469,360)
Machinery and Shop Equipment	(16,378,450)	(1,160,103)	290,886	-	(17,247,667)
Total Accumulated Depreciation	(45,511,410)	(3,381,566)	359,510	-	(48,533,466)
Total Capital Assets, Being Depreciated, Net	40,596,653	(2,673,463)	(69,870)	1,057,316	38,910,636
Business-Type Activities Capital Assets, Net	\$ 43,938,845	\$ 12,134,034	\$ (430,453)	\$ -	\$ 55,642,426

Depreciation expense was charged to business-type activities as follows:

Business-Type Activities:	
Electric Fund	\$ 647,480
Water Fund	418,912
Liquor Fund	29,939
Wastewater Fund	407,537
Telecom Fund	339,892
Windom Area Hospital	1,371,219
Arena Fund	82,149
Multi-Purpose Fund	56,356
River Bluff Townhomes	28,082
Total Depreciation Expense, Business-Type Activities	\$ 3,381,566

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS

City indebtedness at December 31, 2019 is composed of the following:

Description	Initial Amount Issued	Maturity Date	Interest Rate	Outstanding Principal
General Obligation Bonds:				
Governmental Activities:				
GO Refunding Bonds, Series 2012A	\$ 980,000	2023	0.55-2.20%	\$ 400,000
GO Improvement Bonds, Series 2013A	2,590,000	2034	2.00-3.50%	1,935,000
GO Equipment Bonds, Series 2013B	615,000	2023	0.70-1.90%	290,000
GO Improvement Bonds, Series 2017C (2009A Ref)	830,000	2025	2.00%	715,000
GO Improvement Bonds, Series 2017A	2,870,000	2039	3.00-3.25%	2,870,000
GO Improvement Series 2018A	1,015,000	2026	3.00-3.40%	1,015,000
Total Governmental Activities - G.O. Bonds	<u>8,900,000</u>			<u>7,225,000</u>
Business-Type Activities:				
GO Refunding Bonds, Series 2012A	660,000	2023	0.55-2.20%	215,000
GO Improvement Bonds, Series 2013A	1,810,000	2034	2.00-3.50%	1,430,000
GO Improvement Bonds, Series 2017A	1,150,000	2039	3.00-3.25%	1,110,000
GO Equipment - Telecom Upgrade	855,000	2027	3.00%	770,000
GO Equipment Certificates, Series 2018A	1,095,000	2038	3.00-3.40%	1,050,000
Total Business-Type Activities - G.O. Bonds	<u>5,570,000</u>			<u>4,575,000</u>
Total General Obligation Bonds	<u>\$ 14,470,000</u>			<u>\$ 11,800,000</u>
Capital Lease Obligations:				
Governmental Activities:				
Lease Purchase- Emergency Services Facility	\$ 2,034,000	2037	2.79%	\$ 1,883,000
Lease Purchase Obligations	<u>\$ 2,034,000</u>			<u>\$ 1,883,000</u>
Note Payable:				
Governmental Activities:				
Economic Development - Fulda Area Credit Union	\$ 442,098	2016	4.40%	\$ 230,811
Economic Development - Vendor Loans	96,800	2019	0.00%	4,500
Housing and Redevelopment Authority	125,000	2020	0.00%	125,000
Total Governmental Activities	<u>663,898</u>			<u>360,311</u>
Business-Type Activities:				
River Bluff Townhomes - Bank of the West	488,847	2031	2.01%	265,422
River Bluff Townhomes - MHFA	353,305	2031	0.00%	353,305
River Bluff Townhomes - GMHF	180,000	2031	0.00%	143,262
Water Purchase - Red Rock Rural Water System	230,000	2023	0.00%	84,333
Total Business-Type Activities	<u>1,252,152</u>			<u>846,322</u>
Total Note Payable	<u>\$ 1,916,050</u>			<u>\$ 1,206,633</u>
General Obligation Revenue Bonds:				
Business-Type Activities:				
Communication System Refunding Bonds, Series 2012B	\$ 11,205,000	2032	3.00-3.63%	\$ 8,180,000
GO Water and Sewer Revenue Bonds, 2011A - Water	3,090,000	2029	1.00-4.00%	2,315,000
GO Revenue Hospital Bonds, Series 2014A	5,600,000	2034	1.00%	4,730,000
CWRF Wastewater Treatment Plant	6,378,656	2038		5,768,323
Total Business-Type Activities Revenue Bonds	<u>\$ 26,273,656</u>			<u>\$ 20,993,323</u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2019:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 7,770,000	\$ -	\$ 545,000	\$ 7,225,000	\$ 690,000
Bond Subtotal	7,770,000	-	545,000	7,225,000	690,000
Bond Premium	149,981	-	9,256	140,725	-
Net Bond Subtotal	7,919,981	-	554,256	7,365,725	690,000
Capital Lease Obligations	1,963,000	-	80,000	1,883,000	82,000
Note Payable	419,580	-	59,269	360,311	31,060
Compensated Absences	223,065	135,044	124,289	233,820	-
Total Governmental Activities	10,525,626	135,044	817,814	9,842,856	803,060
Business-Type Activities:					
General Obligation Bonds	4,900,000	-	325,000	4,575,000	325,000
General Obligation Revenue Bonds	16,239,000	6,378,656	1,624,333	20,993,323	1,578,000
Bond Subtotal	21,139,000	6,378,656	1,949,333	25,568,323	1,903,000
Bond Premium	215,944	-	17,229	198,715	-
Bond Discount	(72,377)	-	(4,750)	(67,627)	-
Net Bond Subtotal	21,282,567	6,378,656	1,961,812	25,699,411	1,903,000
Notes Payable	886,532	-	40,210	846,322	42,000
Compensated Absences	424,793	197,691	246,689	375,795	-
Total Business-Type Activities	22,593,892	6,576,347	2,248,711	26,921,528	1,945,000
Total Debt	\$ 33,119,518	\$ 6,711,391	\$ 3,066,525	\$ 36,764,384	\$ 2,748,060

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
2020	\$ 803,060	\$ 247,436	\$ 1,050,496
2021	1,118,251	222,660	1,340,911
2022	772,000	200,106	972,106
2023	794,000	180,990	974,990
2024	647,000	162,993	809,993
2025-2029	2,507,000	588,692	3,095,692
2030-2034	1,760,000	297,859	2,057,859
2035-2039	1,067,000	71,617	1,138,617
Totals	\$ 9,468,311	\$ 1,972,353	\$ 11,440,664

Year Ending December 31,	Business-Type Activities		
	Long-Term Debt		
	Principal	Interest	Totals
2020	\$ 1,945,000	\$ 729,558	\$ 2,674,558
2021	1,989,035	691,855	2,680,890
2022	1,993,411	649,192	2,642,603
2023	2,033,158	603,647	2,636,805
2024	2,022,248	555,482	2,577,730
2025-2029	9,844,204	1,978,204	11,822,408
2030-2034	5,637,826	689,166	6,326,992
2035-2039	949,763	78,787	1,028,550
Totals	\$ 26,414,645	\$ 5,975,891	\$ 32,390,536

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2019, including interest of \$7,948,244 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 3,725,054
2021	4,021,801
2022	3,614,709
2023	3,611,795
2024	3,387,723
2025-2029	14,918,100
2030-2034	8,384,851
2035-2039	2,167,167
Total	<u>\$ 43,831,200</u>

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 and 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 and liquidated on the crossover refunding date of February 1, 2015.

In 2011 the City issued \$3,090,000 General Obligation Water and Sewer Revenue Bonds (Series 2011A) which matures in 2029 with interest ranging from 1.00 % to 4.00% to be paid semi-annually.

In 2012 the City also issued \$11,205,000 Communication System Refunding Bonds, Series 2012B which matures in 2032 with interest ranging from 3.00 % to 3.63 to be paid semi-annually.

During 2013, the City issued \$4,400,000 in General Obligation Improvement Bonds (Series 2013A) for the purpose of financing the construction of 2013 Street Improvement Project, including utility system improvements within the City.

During 2013 the City also issued \$615,000 in General Obligation Bonds (Series 2013B) for the purpose of financing the purchase of equipment and the North Windom Industrial Park Subdivision.

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 2016 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

In 2016 the City issued \$2,034,000 Lease Purchase Agreement for partial funding of the Emergency Services Facility. Principal payments are due annually commencing February 2018 to February 2037 with interest at 2.79 % to be paid semi-annually.

In 2017, the City issued \$4,020,000 in GO Improvement and Utility Revenue Bonds, Series 2017A maturing in 2019 through 2039 with interest ranging from 3.00 % to 3.25 % to be paid semi-annually.

In 2017, the City issued \$855,000 in GO Equipment Certificates, Series 2017B for Telecom Core Upgrade maturing in 2019 through 2027 with interest at 3.00 % to be paid semi-annually.

In 2017, the City issued \$830,000 in General Obligation Improvement Refunding Bonds (Series 2017C) for a current refunding of the Series 2009A General Obligation Bonds maturing in 2019 through 2025. The total cash flow savings to the City attributable to the refunding of these bonds is \$43,759 with a net present value of approximately \$40,706.

In 2017, the City obtained financing from the HRA and from a vendor related to fill and land held for resale, both recorded as assets in the EDA fund. The amount of financing obtained from the HRA was \$125,000 and the amount obtained from the vendor was \$96,800, respectively.

In 2018, the City issued \$2,110,000 in General Obligation Bonds, Series 2018A for acquisition of land for future development and replacement of the Freon system for the City's indoor ice arena. The bonds mature in 2019 through 2038 with interest ranging from 3.00% to 3.40%, to be paid semi-annually.

In 2019, the City issued \$6,378,656 debt in Minnesota Public Facilities Authority Clean Water Revolving Loan Fund for funding of improvements to the City's wastewater treatment plant. The loan matures in 2038 with interest at 1.00% to be paid semi-annually. This outstanding note contains (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy available under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised. This loan is for water treatment plant rehabilitation and expansion. The total available loan is \$9,624,333. At December 31, 2019, the City had drawn \$6,378,656 of the total available loan. The City intends to complete the project and draw the remaining balance during 2020.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund

The Police and Fire Plan, 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 Police and Fire Plan 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. 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.

1. General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for Members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equals 90 and normal retirement age is the age for unreduced Social Security benefits capped at 66.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of credited service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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. **General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2019 were \$754,870. The City contributions were equal to the required contributions as set by state statute.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$106,463. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$7,499,285 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$242,689. The net pension liability was measured as of June 30, 2019 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 proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions

received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0351% which was a decrease of 0.0008% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$619,452 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$47,044 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 200,911	\$ 162,125
Changes in Actuarial Assumptions	530,995	777,110
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	-	764,712
Changes in Proportion	173,775	196,391
Contributions Paid to PERA Subsequent to the Measurement Date	553,561	-
Total	<u>\$ 1,459,242</u>	<u>\$ 1,900,338</u>

\$553,561 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 39,458
2021	(406,008)
2022	(515,215)
2023	(112,892)

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019 the City reported a liability of \$607,890 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 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 proportionate share 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the City's proportion was 0.0571% which was an increase of 0.0015% from its proportionate share measured as of June 30, 2018. The City also recognized \$7,708 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019 the City recognized pension expense of \$92,497 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 25,810	\$ 92,527
Changes in Actuarial Assumptions	504,450	682,471
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	-	126,609
Changes in Proportion	30,158	4,830
Contributions Paid to PERA Subsequent to the Measurement Date	51,323	-
Total	<u>\$ 611,741</u>	<u>\$ 906,437</u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$51,323 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (35,612)
2021	(80,800)
2022	(236,127)
2023	2,656
2024	3,864

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50 percent per year
Salary Increases	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	<u>100%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the General Employee's Plan Net Pension Liability	\$ 12,223,818	\$ 7,499,285	\$ 3,599,035

Description	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 1,326,728	\$ 607,890	\$ 12

H. Aggregate Pension Costs

At December 31, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	General Employees Retirement Plan	Public Employees Police and Fire Fund	Fire Relief Association	Total
Net Pension Liability	\$ 7,499,285	\$ 607,890	\$ -	\$ 8,107,175
Net Pension Asset	-	-	(415,676)	(415,676)
Deferred Outflows of Resources	1,459,242	611,741	128,572	2,199,555
Deferred Inflows of Resources	1,900,338	906,437	48,406	2,855,181
Pension Expense	619,452	92,497	(4,478)	707,471

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN

1. Plan Description

Ambulance service personnel of the City of Windom are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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.

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. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. 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 (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Windom during fiscal year 2019 were:

Ambulance		Percentage of Covered Payroll		Required
Contribution Amount			Employee	Employer
Employee	Employer	Employee	Employer	Rates
\$ 10,806	\$ 10,806	5.10%	5.10%	5.10%

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2019 as follows:

Other Governmental Funds:	
4th Ave Improvement Bond Fund	\$ (45,698)
2007 Street Improvement Bond Fund	(172,058)
2003 Improvement Bond Fund	(220,560)
2020 Street Capital Project Fund	(121,730)
Proprietary Funds:	
Telecom	(7,528,353)
River Bluff Townhomes	(78,899)

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

A. 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, 2019 are as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds	Description
General Fund	\$ 522,502	\$ -	Eliminate Deficit Cash
Nonmajor Governmental Funds	-	522,502	Eliminate Deficit Cash
Proprietary Funds:			
Electric Fund	1,282,108	-	Eliminate Deficit Cash
Telecom Fund	-	1,282,108	Eliminate Deficit Cash
Total Due To/From	<u>\$ 1,804,610</u>	<u>\$ 1,804,610</u>	

All of the due from/due to other funds balances are expected to be repaid in future years.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

B. Transfers

Transfers between funds during 2019 are as follows:

	Transfer In	Transfer Out	Description
Major Governmental Funds:			
General Fund	\$ 245,000	\$ -	Annual Contribution
General Fund	-	28,035	Transfer of Debt Payment
General Fund	-	77,615	Funding for Arena Project
General Fund	200,000	-	Transfer for Tennis Courts Project
Economic Development Fund	-	29,932	Backup generator purchase
General Fund	4,500	-	Transfer for City Wide Network
General Fund	67,750	-	Transfer for Ice System Project
Nonmajor Governmental Funds:			
Capital Projects Funds			
Capital Projects Fund	55,000	-	Transfer of Debt Payment
Capital Projects Fund	-	200,000	Transfer for Tennis Courts Project
2017 Street Capital Project Fund	34,760	-	Transfer of Debt Payment
Debt Service Funds:			
GO Special Assessment Bond	28,035	-	Transfer of Debt Payment
GO Special Assessment Bond	-	333,223	Transfer for deficit in fund balance
2006A Refunding Bond Fund	333,223	-	Transfer for deficit in fund balance
2009 Street Improvement Bond Fund	37,830	-	Transfer of Debt Payment
Major Enterprise Funds:			
Water Utility	-	750	Transfer for City Wide Network
Water Utility	-	45,203	Transfer of Debt Payment
Wastewater Utility	29,932	-	Backup generator purchase
Wastewater Utility	-	750	Transfer for City Wide Network
Wastewater Utility	-	27,387	Transfer of Debt Payment
Electric Utility	-	750	Transfer for City Wide Network
Electric Utility	-	175,000	Annual Contribution
Electric Utility	-	25,000	Transfer of Debt Payment
Electric Utility	1,400	-	Trailer purchase
Nonmajor Enterprise Funds			
Telecom Fund	-	2,250	Transfer for City Wide Network
Liquor	-	70,000	Annual Contribution
Liquor	-	30,000	Transfer of Debt Payment
Telecom Fund	-	1,400	Trailer purchase
Nonmajor Enterprise Funds:			
Arena	77,615	-	Funding for Arena Project Debt
Arena	-	67,750	Transfer for Ice System Project
Total	<u>\$ 1,115,045</u>	<u>\$ 1,115,045</u>	

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 historical 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.

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 FIREFIGHTERS 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, 2019, membership includes 33 active participants. 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 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$2,600 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

B Benefits Provided (Continued)

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 20 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 \$2,600 for each year the member was an active member of the City of Windom Fire Department. A death benefit is also available, which is payable to a survivor.

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 specified in *Minnesota Statutes*. 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	
=	Total Contribution Required	

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$48,148 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2019. 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, 2019 was \$-0-.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs

At December 31, 2019, the City reported an asset of \$415,676 for the Association's net pension asset/liability. The net pension asset/liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$(4,478) for the year ended December 31, 2019. At December 31, 2019, 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	\$ -	\$ 48,406
Changes in Actuarial Assumptions	16,152	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	112,420	-
Changes in Proportion	-	-
Contributions Paid to PERA Subsequent to the Measurement Date	-	-
Total	<u>\$ 128,572</u>	<u>\$ 48,406</u>

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, 2020. 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 Ending December 31,	Pension Expense Amount
2020	\$ 31,040
2021	9,619
2022	12,825
2023	34,179
2024	(6,335)
Thereafter	(1,162)

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.50%
Inflation rate	2.50%
Age of Service Retirement	50

The best estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

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, 2019 are summarized in the following table:

Asset Class	Allocation at December 31, 2018	Long-Term Expected Real Rate of Return
Cash and Equivalents	20.94%	0.58%
Fixed Income	17.01%	1.99%
Domestic Equity	49.16%	4.95%
International Equity	12.12%	5.24%
Real Estate and Alternatives	0.77%	4.19%
Total Portfolio	100.00%	
Total Portfolio Expected Real Rate of Return		6.00%

F. Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent. 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

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 6.5 percent, 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 (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability	\$ (393,383)	\$ (415,676)	\$ (437,307)
Discount Rate	5.50%	6.50%	7.50%

H. Plan's Fiduciary Net Position

Information about the change in the Plan's net pension liability is as follows:

	<u>December 31, 2018 Measurement Date</u>
Total Pension Liability	
Service Cost	\$ 32,592
Interest	48,213
Change in Assumptions	14,428
Benefit Payments	(277,650)
Differences Between Expected and Actual Experience	(2,014)
Changes of Benefit Terms	-
Net Change in Total Pension Liability	<u>(184,431)</u>
Total Pension Liability - Beginning	<u>847,979</u>
Total Pension Liability - Ending (a)	663,548
Plan Fiduciary Net Position	
Municipal Contributions	-
State Contributions	52,244
Donations and Other Income	39,953
Net Investment Income	(121,123)
Benefit Payments	(277,650)
Administrative Expenses	(4,350)
Net Change in Fiduciary Net Position	<u>(310,926)</u>
Fiduciary Net Position - Beginning	<u>1,390,150</u>
Fiduciary Net Position - Ending (b)	<u>1,079,224</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (415,676)</u>

I. 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City operates a single-employer defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the City's health insurance plan. There are 44 active participants and 5 retired participants. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

B. Benefits Provided

The City provides continuation of health insurance benefits under Consolidated Omnibus Budget Reconciliation Act (COBRA) and Minnesota Continuation law. Retirees and their dependents may continue to participate, at their expense, indefinitely in the employer-sponsored hospital, medical and dental insurance group that they participated in immediately prior to retiring.

C. Actuarial Methods and Assumptions

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017 using the alternate measurement method.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Discount Rate	3.71%
Medical Trend Rates	6.30% Decreasing Over Several Years to an Ultimate Rate of 4.40% in FY2075 and Later Years

Mortality Rates were based on the RP-2014 mortality tables with projected monthly improvements based on Scale MP-2017, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.71%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C Actuarial Methods and Assumptions (Continued)

Since the most recent actuarial valuation, the following changes have been made:

- The morality table was updated from RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.

D. Changes in the total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2018	\$ 508,475
Changes for the Year:	
Service Cost	46,569
Interest Cost	18,144
Change of Assumptions	(49,273)
Benefit Payments	(42,141)
Net Change in Total OPEB Liability	(26,701)
Balances at December 31, 2018	\$ 481,774

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.71%)	Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB Liability	\$ 523,132	\$ 481,774	\$ 443,813

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.3% decreasing over several years to an ultimate rate of 3.4% in FY2075 and later years) or 1% higher (7.3% decreasing to 5.4% over several years) than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	\$ 295,965	\$ 335,264	\$ 382,860

For the year ended December 31, 2019, the City recognized OPEB Expense of \$15,440. At December 31, 2019, the City reported no deferred inflow of resources, and \$30,747 in deferred outflows of resources resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year December 31, 2019.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 TAX ABATEMENTS

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City as authorized under Minnesota Statute §469.174. The City reaches agreements with the businesses related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. These districts stop collections at various times with the last ones being December 31, 2024. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$488,244. No other commitments were made by the City as part of these agreements.

The City entered into a property tax abatement agreement with a local business to promote economic development/redevelopment and to increase the tax base as authorized under Minnesota Statutes §469. The City entered into the agreement during 2012 to abate property taxes. To be eligible for abated property taxes, the Developer needed to renovate an existing building, retaining and increasing jobs, and increasing the tax base of the City, County, and State. For the year ended December 31, 2019, the City abated taxes totaling \$17,008 on this agreement. No other commitments were made by the City as part of this agreement.

NOTE 13 FUND BALANCE

At December 31, 2019, the City had various fund balances restricted, or assigned through legal restriction and City Council authorization. Major fund balance appropriations at December 31, 2019 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
Nonspendable:				
Inventory	\$ 55,550	\$ 205,700	\$ -	\$ 261,250
Total Nonspendable	55,550	205,700	-	261,250
Committed:				
Donations for Fire, Well, and Park	67,650	-	-	67,650
Restricted:				
Debt Service	-	-	590,472	590,472
Tax Increment Funding	-	1,026,635	-	1,026,635
Capital Projects	-	-	668,454	668,454
Total Restricted	-	1,026,635	1,258,926	2,285,561
Assigned:				
Ambulance	-	-	1,500,611	1,500,611
Economic Development	-	1,251,800	-	1,251,800
Airport	142,702	-	-	142,702
Library	226,060	-	-	226,060
Pool	75,085	-	-	75,085
Police	3,982	-	-	3,982
Capital Projects	627,954	-	-	627,954
Sick Pay at Retirement	229,810	-	-	229,810
Total Assigned	1,305,593	1,251,800	1,500,611	4,058,004
Unassigned	2,314,832	-	(560,046)	1,754,786
Total Fund Balance	<u>\$ 3,743,625</u>	<u>\$ 2,484,135</u>	<u>\$ 2,199,491</u>	<u>\$ 8,427,251</u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14 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.

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 energy subject 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.

C. Construction Contract Commitments

The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$3,934,747 at December 31, 2019.

NOTE 15 RESTATEMENT

During the year ended December 31, 2019, Windom Area Health adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the May 1, 2018 net position as follows:

	As Previously Stated	Change in Accounting Principle	As Restated
Net Position as of May 1, 2018	\$ 18,453,744	\$ (124,280)	\$ 18,329,464

Additional information is available in the separately issued financial statement of Windom Area Health, which may be obtained by contacting Administration at Windom Area Health, 2150 Hospital Drive, P.O. Box 339, Windom, Minnesota 56101.

NOTE 16 SUBSEQUENT EVENTS

In March 2020, the City approved the sale of Communication System Annual Appropriation Refunding Bonds, Series 2020A for \$7,850,000. In April 2020, the City approved the sale of \$4,240,000 General Obligation Improvement Bonds Series 2020B and \$345,000 General Obligation Improvement Bonds Series 2020C.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF WINDOM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019**

	<u>Measurement Date</u> <u>December 31, 2018</u>	<u>Measurement Date</u> <u>December 31, 2017</u>
Total OPEB Liability		
Service Cost	\$ 46,569	\$ 25,246
Interest Cost	18,144	14,108
Changes of Assumptions	(49,273)	14,751
Benefit Payments	(42,141)	(29,935)
Net Change in Total OPEB Liability	<u>(26,701)</u>	<u>24,170</u>
Total OPEB Liability - Beginning	508,475	360,022
Total OPEB Liability - Ending (a)	<u><u>\$ 481,774</u></u>	<u><u>\$ 384,192</u></u>
Covered-Employee Payroll	\$ 2,915,407	\$ 9,238,069
Agency's OPEB Liability as a Percentage of Covered Payroll	16.53%	4.16%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years which information is available.

The OPEB plan is not administered through a trust, and there are no assets accumulated in trust for payment of benefits.

**CITY OF WINDOM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FIVE FISCAL YEARS**

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
City - GERS					
City's Proportion of the Net Pension Liability (Asset)	0.0351%	0.0359%	0.0366%	0.0370%	0.0450%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,499,285	\$ 8,439,358	\$ 10,074,407	\$ 8,243,742	\$ 2,098,920
State's Proportionate Share of the Net Pension Liability Associated with the City of Windom	\$ 242,689	\$ 146,437	\$ 29,380	\$ 39,236	N/A
City's Covered Payroll	\$ 9,818,915	\$ 9,238,069	\$ 8,685,475	\$ 8,309,488	\$ 2,378,626
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	76.38%	91.35%	115.99%	99.21%	88.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	75.90%	68.90%	68.90%	78.20%
PEPFF					
City's Proportion of the Net Pension Liability (Asset)	0.0571%	0.0556%	0.0560%	0.0547%	5.5000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 607,890	\$ 587,634	\$ 756,067	\$ 2,207,246	\$ 624,929
City's Covered-Employee Payroll	\$ 601,744	\$ 585,592	\$ 570,375	\$ 526,951	\$ 506,666
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	101.02%	100.35%	132.56%	418.87%	138.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	88.84%	63.90%	63.90%	63.90%
	Measurement Date <u>December 31, 2018</u>	Measurement Date <u>December 31, 2017</u>	Measurement Date <u>December 31, 2016</u>	Measurement Date <u>December 31, 2016</u>	Measurement Date <u>December 31, 2015</u>
Fire Relief Association					
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (415,676)	\$ (542,171)	\$ (360,080)	\$ (360,080)	\$ (182,216)
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	162.64%	163.94%	142.27%	142.27%	138.33%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years which information is available.

**CITY OF WINDOM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST FIVE YEARS**

	2019	2018	2017	2016	2015
City - GERF					
Contractually Required Contribution	\$ 754,870	\$ 668,485	\$ 629,920	\$ 603,670	\$ 597,569
Contributions in Relation to the Contractually Required Contribution	(754,870)	(668,485)	(629,920)	(603,670)	(597,569)
Contribution Deficiency (Excess)	<u>\$ -</u>				
City's Covered Payroll	9,818,915	9,238,069	8,685,475	8,309,488	8,330,307
Contributions as a Percentage of Covered Employee Payroll	7.69%	7.24%	7.25%	7.26%	7.17%
PEPFF					
Contractually Required Contribution	\$ 106,463	\$ 94,866	\$ 92,401	\$ 85,366	\$ 82,258
Contributions in Relation to the Contractually Required Contribution	(106,463)	(94,866)	(92,401)	(85,366)	(82,258)
Contribution Deficiency (Excess)	<u>\$ -</u>				
City's Covered Payroll	601,744	585,592	570,375	526,951	507,766
Contributions as a Percentage of Covered Employee Payroll	17.69%	16.20%	16.20%	16.20%	16.20%
Fire Relief Association					
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>				
City's Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years which information is available.

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

	December 31, 2018 Measurement Date	December 31, 2017 Measurement Date	December 31, 2016 Measurement Date	December 31, 2015 Measurement Date
Total Pension Liability				
Service Cost	\$ 32,592	\$ 29,294	\$ 30,656	\$ 28,015
Interest	48,213	57,717	53,502	50,008
Change in Assumptions	14,428	2,231	2,182	-
Benefit Payments	(277,650)	(52,250)	(53,800)	-
Differences Between Expected and Actual Experience	(2,014)	(62,246)	-	-
Changes of Benefit Terms	-	21,337	-	-
Net Change in Total Pension Liability	<u>(184,431)</u>	<u>(3,917)</u>	<u>32,540</u>	<u>78,023</u>
Total Pension Liability - Beginning	<u>847,979</u>	<u>851,896</u>	<u>819,356</u>	<u>741,333</u>
Total Pension Liability - Ending (a)	<u>663,548</u>	<u>847,979</u>	<u>851,896</u>	<u>819,356</u>
Plan Fiduciary Net Position				
Municipal Contributions	-	-	-	5,000
State Contributions	52,244	49,576	49,132	49,942
Donations and Other Income	39,953	-	-	-
Net Investment Income	(121,123)	187,248	87,136	(34,324)
Benefit Payments	(277,650)	(58,650)	(57,688)	(1,051)
Administrative Expenses	(4,350)	-	-	-
Net Change in Fiduciary Net Position	<u>(310,926)</u>	<u>178,174</u>	<u>78,580</u>	<u>19,567</u>
Fiduciary Net Position - Beginning	<u>1,390,150</u>	<u>1,211,976</u>	<u>1,133,396</u>	<u>1,113,829</u>
Fiduciary Net Position - Ending (b)	<u>1,079,224</u>	<u>1,390,150</u>	<u>1,211,976</u>	<u>1,133,396</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (415,676)</u>	<u>\$ (542,171)</u>	<u>\$ (360,080)</u>	<u>\$ (314,040)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	162.64%	163.94%	142.27%	138.33%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years which information is available.

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the years ended June 30:

A. General Employees Fund

2019

The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

B. Police and Fire Fund

2019

The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

B. Police and Fire Fund (Continued)

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33.00% for vested members and 2.0% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate was changed from 7.9% to 7.5%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

**CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

The following changes were reflected in the valuation performed for the City's OPEB Plan for the year ended December 31:

2019

- The discount rate was changed from 3.31% to 3.71%.

The medical trend rate was changed from 6.90% decreasing to 4.40% in 2075, to 6.30% decreasing to 4.40% in 2075.

2018

- The discount rate was changed from 6.75% to 6.50%.
- The inflation rate was changed from 3.78% to 2.75%.

The following changes were reflected in the valuation performed for the Windom Firefighters Relief Association Plan for the year ended December 31:

2019

- The discount rate was changed from 6.50% to 6.00%
- The inflation rate was changed from 2.75% to 2.50%.

2018

- The discount rate was changed from 6.75% to 6.50%.
- The inflation rate was changed from 3.78% to 2.75%.

2017

- No changes.

2016

- The discount rate was changed from 6.50% to 6.75%.
- The inflation rate was changed from 3.57% to 3.78%.

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SUPPLEMENTARY INFORMATION

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**COMBINING NONMAJOR FUND
FINANCIAL STATEMENTS**

**CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Special	Capital Projects Funds			Debt
	Revenue Fund		2017 Street	2020 Street	Service Fund
	Ambulance Fund	Capital Project Fund	Capital Project Fund	Capital Project Fund	4th Ave Improvement Bond Fund
ASSETS					
Cash and Investments	\$ 1,056,115	\$ 55,568	\$ 612,886	\$ -	\$ -
Accounts Receivable	475,361	-	-	-	-
Special Assessments Receivable	-	-	399,314	-	-
Total Assets	<u>\$ 1,531,476</u>	<u>\$ 55,568</u>	<u>\$ 1,012,200</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts and Contracts Payable	\$ 16,428	\$ -	\$ -	\$ -	\$ -
Other Accrued Liabilities	14,437	-	-	37,544	-
Due to Other Funds	-	-	-	84,186	45,698
Total Liabilities	<u>30,865</u>	<u>-</u>	<u>-</u>	<u>121,730</u>	<u>45,698</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	399,314	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>399,314</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)					
Restricted	-	55,568	612,886	-	-
Assigned	1,500,611	-	-	-	-
Unassigned	-	-	-	(121,730)	(45,698)
Total Fund Balance (Deficit)	<u>1,500,611</u>	<u>55,568</u>	<u>612,886</u>	<u>(121,730)</u>	<u>(45,698)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 1,531,476</u>	<u>\$ 55,568</u>	<u>\$ 1,012,200</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service Funds

2013 Street Fund	2006A Refunding Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	2019 Total
\$ 448,241	\$ -	\$ -	\$ 93,610	\$ 46,275	\$ -	\$ 2,312,695
-	-	-	-	-	-	475,361
518,345	-	-	69,271	28,338	-	1,015,268
<u>\$ 966,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,881</u>	<u>\$ 74,613</u>	<u>\$ -</u>	<u>\$ 3,803,324</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,428
-	-	-	-	-	-	51,981
-	-	172,058	-	-	220,560	522,502
-	-	172,058	-	-	220,560	590,911
518,345	-	-	69,270	25,993	-	1,012,922
518,345	-	-	69,270	25,993	-	1,012,922
448,241	-	-	93,611	48,620	-	1,258,926
-	-	-	-	-	-	1,500,611
-	-	(172,058)	-	-	(220,560)	(560,046)
448,241	-	(172,058)	93,611	48,620	(220,560)	2,199,491
<u>\$ 966,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,881</u>	<u>\$ 74,613</u>	<u>\$ -</u>	<u>\$ 3,803,324</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019**

	Special	Capital Project Funds			Debt
	Revenue Fund	Capital	2017 Street	2020 Street	Service Fund
	Ambulance	Project	Capital Project	Capital Project	4th Ave
	Fund	Fund	Fund	Fund	Improvement
					Bond Fund
REVENUE					
General Property Taxes	\$ -	\$ 68,652	\$ 81,778	\$ -	\$ 42,827
Intergovernmental Special					
Assessments	-	-	61,695	-	-
Charges for Services	827,853	-	-	-	-
Interest Income	13,849	631	8,051	-	-
Refunds and Reimbursements	929	-	-	-	-
Miscellaneous	-	18,485	-	-	-
Total Revenue	842,631	87,768	151,524	-	42,827
EXPENDITURES					
Current:					
Public Safety	487,303	-	-	-	-
Public Works	-	-	3,550	121,730	855
Capital Outlay:					
Public Safety	93,752	-	-	-	-
Public Works	-	-	-	-	-
Capital Leases:					
Principal	-	80,000	-	-	-
Interest and Fiscal Charges	-	53,633	-	-	-
Debt Service:					
Principal	-	-	-	-	26,950
Interest and Fiscal Charges	-	-	88,195	-	1,236
Total Expenditures	581,055	133,633	91,745	121,730	29,041
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	261,576	(45,865)	59,779	(121,730)	13,786
OTHER FINANCING SOURCES (USES)					
Transfer In	-	55,000	34,760	-	-
Transfer Out	-	(200,000)	-	-	-
Proceeds from Sale of Capital Assets	3,000	-	-	-	-
Total Other Financing Sources (Uses)	3,000	(145,000)	34,760	-	-
NET CHANGE IN FUND BALANCE	264,576	(190,865)	94,539	(121,730)	13,786
Fund Balance (Deficit) - Beginning of Year	1,236,035	246,433	518,347	-	(59,484)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,500,611	\$ 55,568	\$ 612,886	\$ (121,730)	\$ (45,698)

Debt Service Funds

2013 Street Fund	2006A Refunding Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	2019 Total
\$ 93,338	\$ -	\$ 84,315	\$ 55,170	\$ 34,726	\$ -	\$ 460,806
79,835	-	-	17,390	2,883	-	161,803
-	-	-	-	-	-	827,853
-	-	-	-	-	-	22,531
-	-	-	-	-	-	929
-	-	-	-	-	-	18,485
<u>173,173</u>	<u>-</u>	<u>84,315</u>	<u>72,560</u>	<u>37,609</u>	<u>-</u>	<u>1,492,407</u>
-	-	-	-	-	-	487,303
1,235	-	-	853	699	380	129,302
-	-	-	-	-	-	93,752
-	-	-	-	10,224	-	10,224
-	-	-	-	-	-	80,000
-	-	-	-	-	-	53,633
135,000	-	75,000	115,000	53,050	120,000	525,000
49,163	-	6,625	15,450	4,017	1,110	165,796
<u>185,398</u>	<u>-</u>	<u>81,625</u>	<u>131,303</u>	<u>67,990</u>	<u>121,490</u>	<u>1,545,010</u>
(12,225)	-	2,690	(58,743)	(30,381)	(121,490)	(52,603)
-	333,223	-	37,830	28,035	-	488,848
-	-	-	-	(333,223)	-	(533,223)
-	-	-	-	-	-	3,000
<u>-</u>	<u>333,223</u>	<u>-</u>	<u>37,830</u>	<u>(305,188)</u>	<u>-</u>	<u>(41,375)</u>
(12,225)	333,223	2,690	(20,913)	(335,569)	(121,490)	(93,978)
460,466	(333,223)	(174,748)	114,524	384,189	(99,070)	2,293,469
<u>\$ 448,241</u>	<u>\$ -</u>	<u>\$ (172,058)</u>	<u>\$ 93,611</u>	<u>\$ 48,620</u>	<u>\$ (220,560)</u>	<u>\$ 2,199,491</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Totals 2019
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 153,666	\$ 322,933	\$ 136,428	\$ 613,027
Accounts Receivable	31,831	-	1,226	33,057
Total Current Assets	<u>185,497</u>	<u>322,933</u>	<u>137,654</u>	<u>646,084</u>
Capital Assets:				
Buildings and Improvements	2,531,899	2,000,036	1,123,288	5,655,223
Machinery and Equipment	398,827	280,868	-	679,695
Total Capital Assets	<u>2,930,726</u>	<u>2,280,904</u>	<u>1,123,288</u>	<u>6,334,918</u>
Less: Accumulated Depreciation	<u>(1,346,718)</u>	<u>(1,274,736)</u>	<u>(566,142)</u>	<u>(3,187,596)</u>
Net Capital Assets	<u>1,584,008</u>	<u>1,006,168</u>	<u>557,146</u>	<u>3,147,322</u>
 Total Assets	 <u>1,769,505</u>	 <u>1,329,101</u>	 <u>694,800</u>	 <u>3,793,406</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	6,136	5,718	-	11,854
Other Postemployment Benefits Related	1,478	1,774	-	3,252
Total Deferred Outflows of Resources	<u>7,614</u>	<u>7,492</u>	<u>-</u>	<u>15,106</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	3,252	2,572	4,621	10,445
Accrued Salaries and Fringes	5,547	5,637	-	11,184
Accrued Interest Payable	13,487	-	375	13,862
Other Accrued Liabilities	87,992	1,844	-	89,836
Current Portion Other Postemployment Benefits Liability	1,478	1,774	-	3,252
Unearned Revenue	-	2,200	6,716	8,916
Current Portion of Bonds Payable	40,000	-	19,000	59,000
Total Current Liabilities	<u>151,756</u>	<u>14,027</u>	<u>30,712</u>	<u>196,495</u>
NONCURRENT LIABILITIES				
Compensated Absences	20,013	9,907	-	29,920
Net Pension Liability	80,960	75,453	-	156,413
Other Postemployment Benefits Liability	14,641	17,567	-	32,208
Bonds Payable - Long-Term	<u>1,055,449</u>	<u>-</u>	<u>742,987</u>	<u>1,798,436</u>
Total Noncurrent Liabilities	<u>1,171,063</u>	<u>102,927</u>	<u>742,987</u>	<u>2,016,977</u>
 Total Liabilities	 <u>1,322,819</u>	 <u>116,954</u>	 <u>773,699</u>	 <u>2,213,472</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	17,276	16,101	-	33,377
NET POSITION				
Net Investment in Capital Assets	488,559	1,006,168	(204,842)	1,289,885
Unrestricted	<u>(51,535)</u>	<u>197,370</u>	<u>125,943</u>	<u>271,778</u>
 Total Net Position	 <u>\$ 437,024</u>	 <u>\$ 1,203,538</u>	 <u>\$ (78,899)</u>	 <u>\$ 1,561,663</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Totals 2019
OPERATING REVENUE				
Facility Use/Other Revenue	\$ 100,791	\$ 105,688	\$ 96,157	\$ 302,636
OPERATING EXPENSES				
Personal Services	140,411	132,765	-	273,176
Supplies, Repairs, Services, and Rents	245,178	146,506	48,537	440,221
Depreciation and Amortization	82,149	56,356	28,082	166,587
Total Operating Expenses	<u>467,738</u>	<u>335,627</u>	<u>76,619</u>	<u>879,984</u>
OPERATING INCOME (LOSS)	(366,947)	(229,939)	19,538	(577,348)
OTHER INCOME (EXPENSE)				
Taxes and Special Assessments	209,904	219,705	-	429,609
Contributions and Reimbursements	4,000	-	-	4,000
Interest Income	9,802	5,115	-	14,917
Interest Expense	<u>(30,671)</u>	<u>-</u>	<u>(6,313)</u>	<u>(36,984)</u>
Total Other Income (Expense)	<u>193,035</u>	<u>224,820</u>	<u>(6,313)</u>	<u>411,542</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(173,912)	(5,119)	13,225	(165,806)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	77,615	-	-	77,615
Transfers out	<u>(67,750)</u>	<u>-</u>	<u>-</u>	<u>(67,750)</u>
Total Transfers and Capital Contributions	<u>9,865</u>	<u>-</u>	<u>-</u>	<u>9,865</u>
CHANGE IN NET POSITION	(164,047)	(5,119)	13,225	(155,941)
Net Position - Beginning of Year	<u>601,071</u>	<u>1,208,657</u>	<u>(92,124)</u>	<u>1,717,604</u>
NET POSITION - END OF YEAR	<u>\$ 437,024</u>	<u>\$ 1,203,538</u>	<u>\$ (78,899)</u>	<u>\$ 1,561,663</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers and Service Users	\$ 70,135	\$ 108,076	\$ 96,911	\$ 275,122
Cash Paid to Suppliers	(307,057)	(175,119)	(45,292)	(527,468)
Cash Paid to Employees	(155,028)	(126,530)	-	(281,558)
Net Cash Provided (Used) by Operating Activities	<u>(391,950)</u>	<u>(193,573)</u>	<u>51,619</u>	<u>(533,904)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	77,615	-	-	77,615
Transfers Out	(67,750)	-	-	(67,750)
Property Tax Revenues	209,904	219,705	-	429,609
Miscellaneous Revenues	4,000	-	-	4,000
Net Cash Provided by Noncapital Financing Activities	<u>223,769</u>	<u>219,705</u>	<u>-</u>	<u>443,474</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(7,465)	(13,097)	-	(20,562)
Interest Paid on Long-Term Debt	(45,424)	-	(6,308)	(51,732)
Principal Payments on Long-Term Debt	(45,000)	-	(17,210)	(62,210)
Net Cash Used by Capital and Related Financing Activities	<u>(97,889)</u>	<u>(13,097)</u>	<u>(23,518)</u>	<u>(134,504)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	<u>9,802</u>	<u>5,115</u>	<u>-</u>	<u>14,917</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(256,268)	18,150	28,101	(210,017)
Cash and Cash Equivalents - Beginning of Year	<u>409,934</u>	<u>304,783</u>	<u>108,327</u>	<u>823,044</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 153,666</u></u>	<u><u>\$ 322,933</u></u>	<u><u>\$ 136,428</u></u>	<u><u>\$ 613,027</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (366,947)	\$ (229,939)	\$ 19,538	\$ (577,348)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	82,149	56,356	28,082	166,587
Pension Adjustments	(9,973)	(25,462)	-	(35,435)
OPEB Adjustments	(1,804)	(2,166)	-	(3,970)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(30,656)	2,288	284	(28,084)
Increase (Decrease) in Accounts and Contracts Payable	(50,102)	(985)	3,245	(47,842)
Increase (Decrease) in Accrued Expenses	2,029	4,563	-	6,592
Increase (Decrease) in Unearned Revenue	-	100	470	570
Increase (Decrease) in Accrued Compensated Absences	(16,646)	1,672	-	(14,974)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (391,950)</u></u>	<u><u>\$ (193,573)</u></u>	<u><u>\$ 51,619</u></u>	<u><u>\$ (533,904)</u></u>

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**CITY OF WINDOM, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Grant Name	Pass-Through Grantor	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Environmental Protection Agency: Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Loan Funds	Minnesota Public Facilities Authority	66.458	MPFA-CWRF-L- 054-FY19	\$ 6,129,083	\$ -
U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	State of Minnesota	97.036	P07204390PA	226,723	-
U.S. Department of Natural Resources Airport Improvement Program	Minnesota DOT	20.106	TMNFAA01131218 TMNFAA0113116	581,937	-
U.S. Department of Transportation Sport Fish Restoration Program	Minnesota DNR	15.605	R29G60F32DS28 R29G60F32DS29	348	-
Total Federal Expenditures				<u>\$ 6,938,091</u>	<u>\$ -</u>

Reconciliation of the Schedule of Expenditures of Federal Awards to cash basis note proceeds:

Federal Expenditures for 66.458	\$ 6,129,083
Less: Expenditures not Reimbursed at Year-End	(203,202)
Add: 2017 and 2018 Expenditures Reimbursed in 2019 Year-End	<u>452,775</u>
Cash Basis Note Proceeds	<u>\$ 6,378,656</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF WINDOM, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Windom, Minnesota (the City) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City does not have a direct negotiated indirect cost rate and has therefore elected to use the 10% de minimus indirect cost rate where applicable.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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 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, state of Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Windom, Minnesota's basic financial statements and have issued our report thereon dated June 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Windom's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Honorable Mayor and
Members of the City Council
City of Windom

Compliance and Other Matters

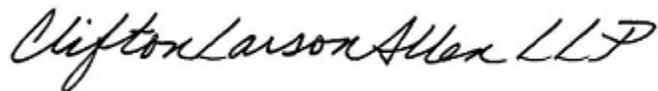
As part of obtaining reasonable assurance about whether the City of Windom’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Windom’s Response to Findings

City of Windom’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. City of Windom’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.

Purpose of this Report

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



CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

We have audited City of Windom, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Windom's major federal program for the year ended December 31, 2019. City of Windom's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Windom's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Windom's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Windom's compliance.

Honorable Mayor and
Members of the City Council
City of Windom

Opinion on the Major Federal Program

In our opinion, City of Windom complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of City of Windom is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Windom’s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Windom’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020



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 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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2020.

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

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Part I: Summary of the Independent Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) yes X no

Identification of Major Federal Programs

CFDA Number(s)

66.458

Name of Federal Program or Cluster

Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

Part II: Findings Related to the Basic Financial Statements

FINDING: 2019-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Type of Finding: Material weakness in internal control over financial reporting

Condition: The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

Criteria: The City should be able to prevent or detect and correct a material misstatement in the annual financial statements including footnote disclosures in a timely manner.

Context: While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that the financial statements are prepared in accordance with US GAAP.

Effect: The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the City's internal controls.

Cause: The City engages the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Repeat Finding: The finding was identified in the prior year. See 2018-001.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Management Response: The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

Part II: Findings Related to the Basic Financial Statements (Continued)

FINDING: 2019-002 PROPOSED ADJUSTING JOURNAL ENTRIES

Type of Finding: Material weakness in internal control over financial reporting

Condition: The audit firm proposed and the City posted to its general ledger journal entries to record year-end account balances related to pensions and OPEB.

Criteria: The City should be able to prevent or detect and correct a material misstatement in the annual financial statements including footnote disclosures in a timely manner.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting process.

Effect: The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the City's internal controls.

Cause: The City engages the audit firm to propose such adjustments as are necessary to adjust accounts in accordance with accounting principles generally accepted in the United States of America. However, the entries are reviewed and approved prior to recording them.

Repeat Finding: The finding was identified in the prior year. See 2018-002.

Recommendation: The City should continue to evaluate their internal processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with accounting principles generally accepted in the United States of America.

Management Response: The City will evaluate whether additional internal control policies should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with accounting principles generally accepted in the United States of America.

Part III: Federal Award Findings and Questioned Costs

There were no federal award program findings in the current year.

Part IV: Minnesota Legal Compliance Findings

There were no Minnesota Legal Compliance findings in the current year.