

CITY OF WINDOM, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

**CITY OF WINDOM, MINNESOTA
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YEAR ENDED DECEMBER 31, 2020**

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INTRODUCTORY SECTION

**CITY OF WINDOM, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2020**

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	Jacqueline Schmidt	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, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Honorable Mayor and
Members of the City Council
City of Windom

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, 2020, 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.

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.

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 basic financial statements. Such 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 basic financial statements or to the basic 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 as a whole.

Honorable Mayor and
Members of the City Council
City of Windom

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2021, 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 results 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
July 15, 2021

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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, 2020**

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, 2020.

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 \$74,398,315 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$26,854,413.
- The City's total net position increased by \$6,737,288 from 2019.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$12,986,039 which is an increase of \$4,558,788 in comparison with the prior year. The overall *unassigned fund balance* is \$2,234,716.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,671,089 or 67% of total 2020 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.
- Airport safety improvements for 2020 included installation of new PAPI lights, which was 90% funded by the FAA with the balance funded by the State.
- Housing development continues as a high priority for the City Council due to continued employment growth in the community. In 2020 Lakeside Apartments opened with 45 units of market rate housing. Conversations with other residential developers for a workforce housing project and re-development of the Cemstone area are on-going. The residential property tax abatement program sponsored by the City, County and School District is helping increase the construction of single-family homes.
- General fund capital expenditures primarily included facilities maintenance consisting of roofs for City Hall, Arena and Community Center. Funds were also allocated for a new fire truck (to arrive in early 2022), Police Body Cameras, the Playground Equipment Fund and Snowplow Replacement Fund.
- The Multi-Purpose Center and Arena were hard hit during the COVID-19 pandemic in 2020 as State mandated lock-downs and limits on capacities were in place. As such revenues were lower, but there were some savings in expenses; however, the overall impact was a loss.
- A \$4 million+ City Street reconstruction project was completed in 2020 for the Rolling Green and 14th Street neighborhoods. Overlays were also done on 16th Street east and south 6th Avenue.
- The Windom Fire Department met with the representatives of the Windom Fire District (townships and cities outside Windom city limits) on a new six year agreement for fire services. This contract was completed and signed in 2020.
- Federal CARES Act funds were received by the City and spent totaling \$341,969. Expenses included support for small businesses and distance learning, enhancing telework capabilities, public health expenses and payroll for public health/safety employees.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

- The U.S. Department of Health and Human Services (HHS) has also made available emergency relief grant funds to health care providers. Total grant funds approved and available to the Hospital from these grants is approximately \$3,889,764. In 2020, the Hospital received approximately \$394,000 of the \$3,889,764 from HHS.

This discussion and analysis is 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, 2020**

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 33-77 of this report.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 78-85 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 86-93.

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 \$74,398,315 at the close of the most recent fiscal year compared to \$67,661,027 at the end of 2019.

Approximately 57% of the City of Windom's net position reflects its \$42,460,222 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 2020, \$5,083,680 of assets were restricted as to use leaving the remaining balance of \$26,854,413 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	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and Other Assets	\$ 16,228,566	\$ 10,203,347	\$ 38,307,311	\$ 31,347,011	\$ 54,535,877	\$ 41,550,358
Capital Assets	23,340,589	20,722,532	57,949,752	55,642,426	81,290,341	76,364,958
Total Assets	39,569,155	30,925,879	96,257,063	86,989,437	135,826,218	117,915,316
DEFERRED OUTFLOWS OF RESOURCES	425,255	803,195	963,461	1,427,107	1,388,716	2,230,302
LIABILITIES						
Long-Term Liabilities	17,587,637	9,177,415	39,332,116	32,159,647	56,919,753	41,337,062
Other Liabilities	784,424	2,411,310	3,361,553	5,881,038	4,145,977	8,292,348
Total Liabilities	18,372,061	11,588,725	42,693,669	38,040,685	61,065,730	49,629,410
DEFERRED INFLOWS OF RESOURCES	618,593	1,092,783	1,132,296	1,762,398	1,750,889	2,855,181
Net Position:						
Net Investment in Capital Assets	12,848,147	12,056,417	29,612,075	29,208,437	42,460,222	41,264,854
Restricted	4,685,349	1,584,598	398,331	398,331	5,083,680	1,982,929
Unrestricted	3,470,260	5,406,551	23,384,153	19,006,693	26,854,413	24,413,244
Total Net Position	<u>\$ 21,003,756</u>	<u>\$ 19,047,566</u>	<u>\$ 53,394,559</u>	<u>\$ 48,613,461</u>	<u>\$ 74,398,315</u>	<u>\$ 67,661,027</u>

Governmental Activities

Governmental activities increased the City of Windom's net position by \$1,956,190. Contributing to the increase in net position includes building of reserve funds for future capital needs and grants received.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

Business-type activities increased the City of Windom's net position by \$4,781,098. All major funds (electric, water, sewer, municipal liquor store, telecom, and Windom Hospital) 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	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues:						
Fees, Charges, Fines, and Other	\$ 1,421,832	\$ 1,488,697	\$ 36,394,649	\$ 34,975,138	\$ 37,816,481	\$ 36,463,835
Operating Grants and Contributions	613,211	210,096	-	-	613,211	210,096
Capital Grants and Contributions	1,858,196	687,866	1,543,710	6,332,892	3,401,906	7,020,758
General Revenues:						
Property Taxes	1,542,056	1,616,189	596,684	429,609	2,138,740	2,045,798
Tax Increments	780,969	895,986	-	-	780,969	895,986
Other Taxes	58,102	49,290	-	-	58,102	49,290
Grants and Contributions, Not Restricted	1,529,168	1,483,533	-	4,000	1,529,168	1,487,533
Unrestricted Interest Income	54,816	81,212	318,235	371,043	373,051	452,255
Unrestricted Investment Earnings (Loss)	-	(215)	-	-	-	(215)
Gain (Loss) on Disposal of Capital Assets	20,000	3,000	14,472	235,803	34,472	238,803
Total Revenues	<u>7,878,350</u>	<u>6,515,654</u>	<u>38,867,750</u>	<u>42,348,485</u>	<u>46,746,100</u>	<u>48,864,139</u>
EXPENSES						
General Government	685,635	316,342	-	-	685,635	316,342
Public Safety	2,294,953	2,085,524	-	-	2,294,953	2,085,524
Public Works	1,190,055	1,678,712	-	-	1,190,055	1,678,712
Culture and Recreation	822,711	540,095	-	-	822,711	540,095
Economic Development	623,450	840,132	-	-	623,450	840,132
Interest on Long-Term Debt	635,707	322,997	-	-	635,707	322,997
Electric	-	-	5,524,963	5,647,252	5,524,963	5,647,252
Water	-	-	1,191,309	1,030,992	1,191,309	1,030,992
Wastewater	-	-	1,294,605	1,329,047	1,294,605	1,329,047
Liquor Store	-	-	2,170,730	1,928,064	2,170,730	1,928,064
Telecom	-	-	2,744,424	2,607,279	2,744,424	2,607,279
Arena	-	-	421,884	498,409	421,884	498,409
Multi-Purpose	-	-	347,852	335,627	347,852	335,627
River Bluff Townhomes	-	-	93,212	82,932	93,212	82,932
Windom Area Hospital	-	-	19,967,322	19,301,963	19,967,322	19,301,963
Total Expenses	<u>6,252,511</u>	<u>5,783,802</u>	<u>33,756,301</u>	<u>32,761,565</u>	<u>40,008,812</u>	<u>38,545,367</u>
Increase in Net Position Before Transfers	1,625,839	731,852	5,111,449	9,586,920	6,737,288	10,318,772
Transfers	330,351	337,293	(330,351)	(337,293)	-	-
CHANGE IN NET POSITION	1,956,190	1,069,145	4,781,098	9,249,627	6,737,288	10,318,772
Net Position - Beginning of Year	19,047,566	17,978,421	48,613,461	39,363,834	67,661,027	57,342,255
NET POSITION - END OF YEAR	<u>\$ 21,003,756</u>	<u>\$ 19,047,566</u>	<u>\$ 53,394,559</u>	<u>\$ 48,613,461</u>	<u>\$ 74,398,315</u>	<u>\$ 67,661,027</u>

Governmental activities reported an increase in capital grants and contributions revenues due to the City's assessing a portion of the 2020 street project to the benefited properties of approximately \$1,038,000 and operating grants increased due to receiving federal CARES Act funds of \$341,969. These increases in revenues are also reflected in the increase in net position before transfers for the governmental activities.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

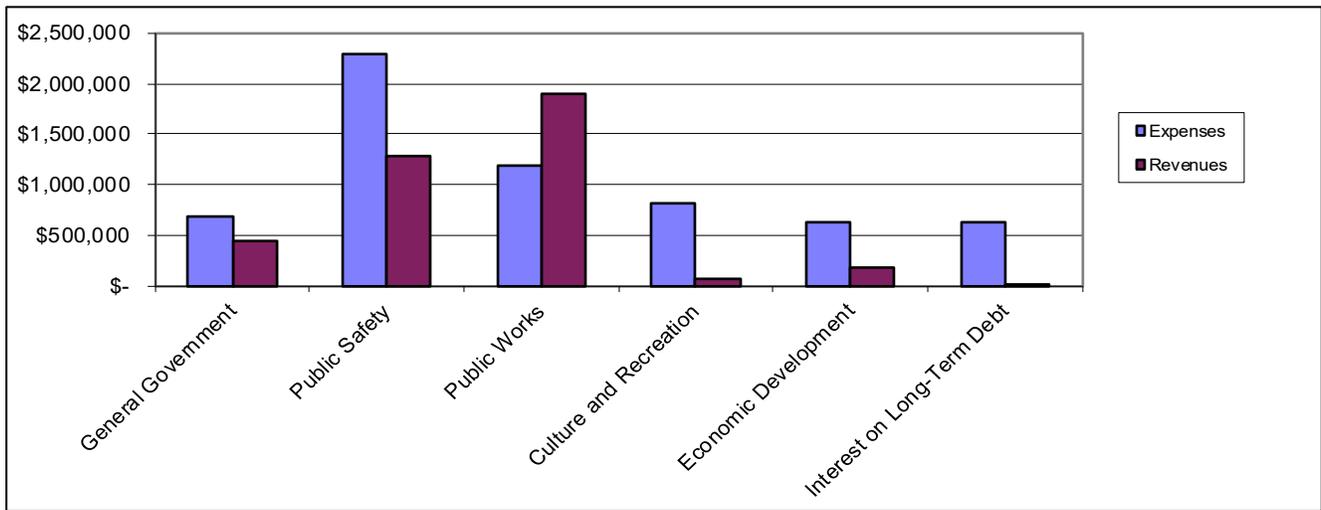
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

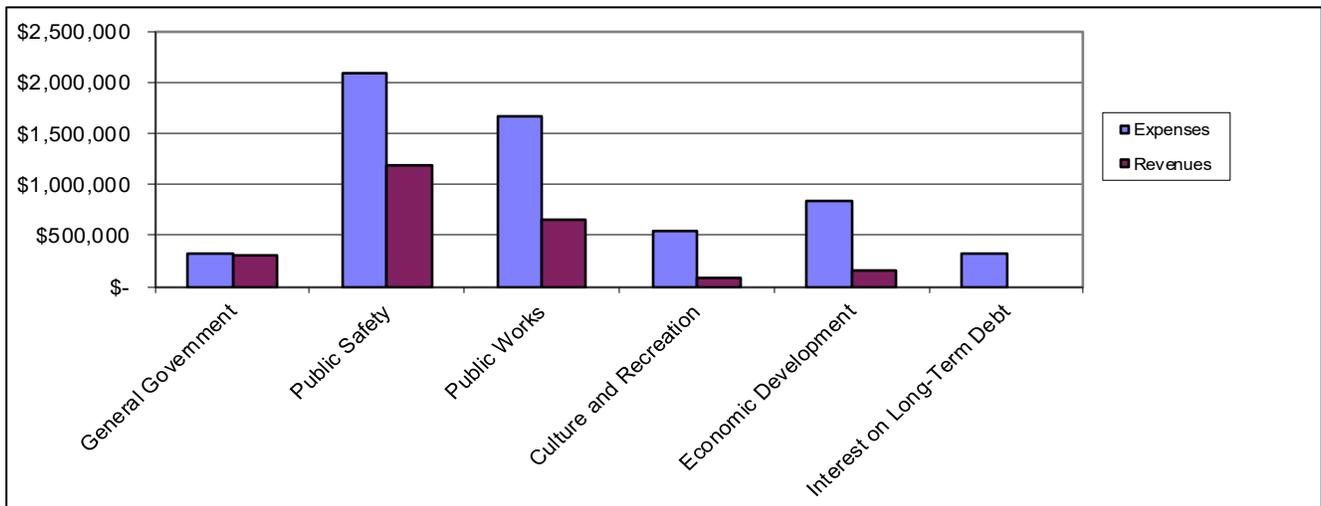
Capital grants and contributions revenues for business-type activities decreased from \$6,332,892 in 2019 to \$1,543,710 in 2020 due to a decrease in state grant funding for the wastewater treatment plan renovation project. The majority of the work occurred in 2019.

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

**2020
Expenses and Program Revenues – Governmental Activities**



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

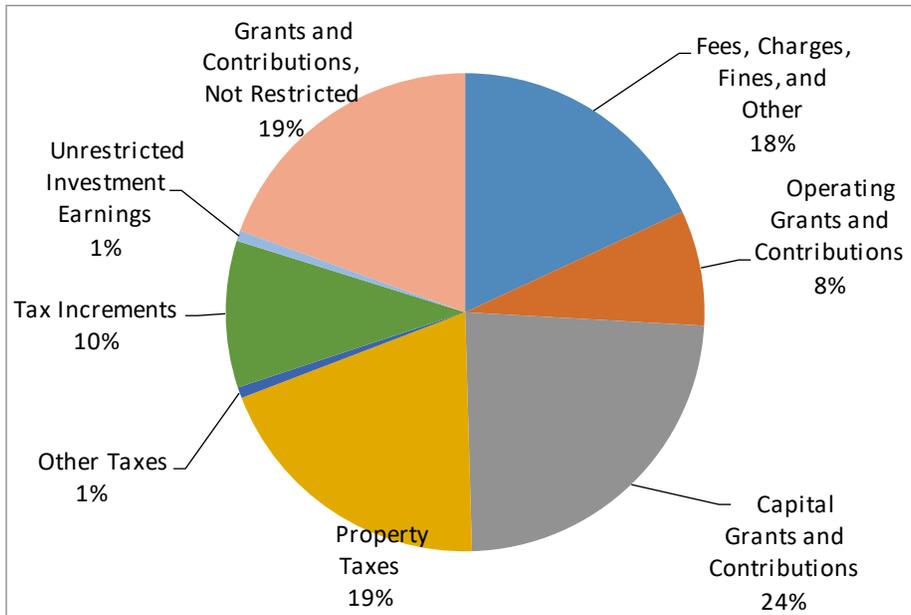


**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

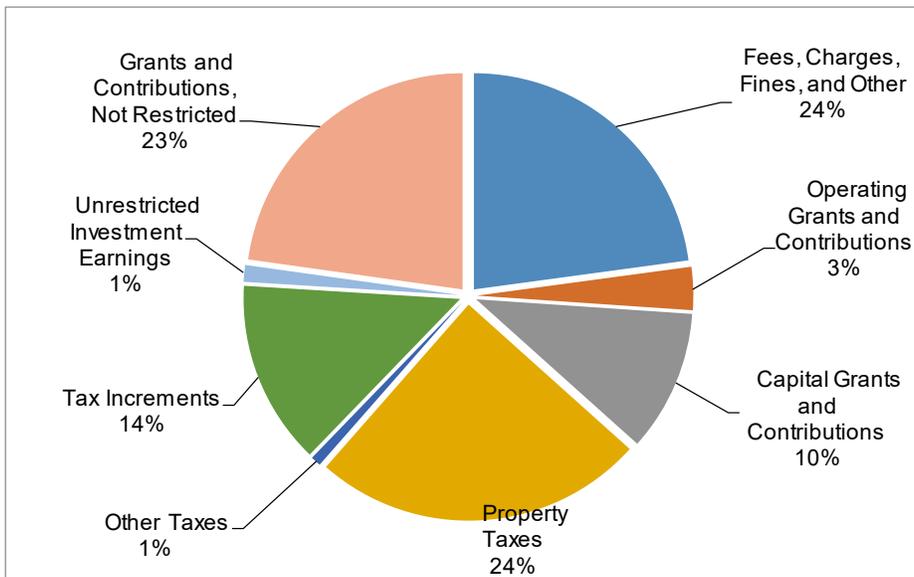
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

**2020
Revenues by Source - Governmental Activities**



**2019
Revenues by Source - Governmental Activities**



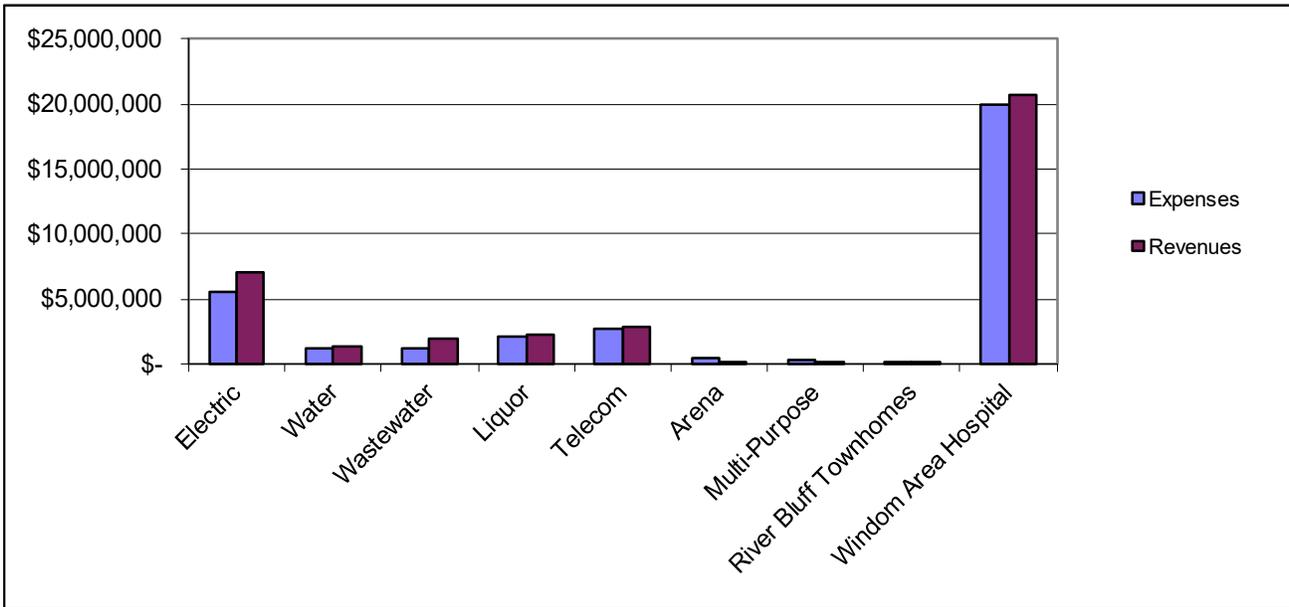
**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

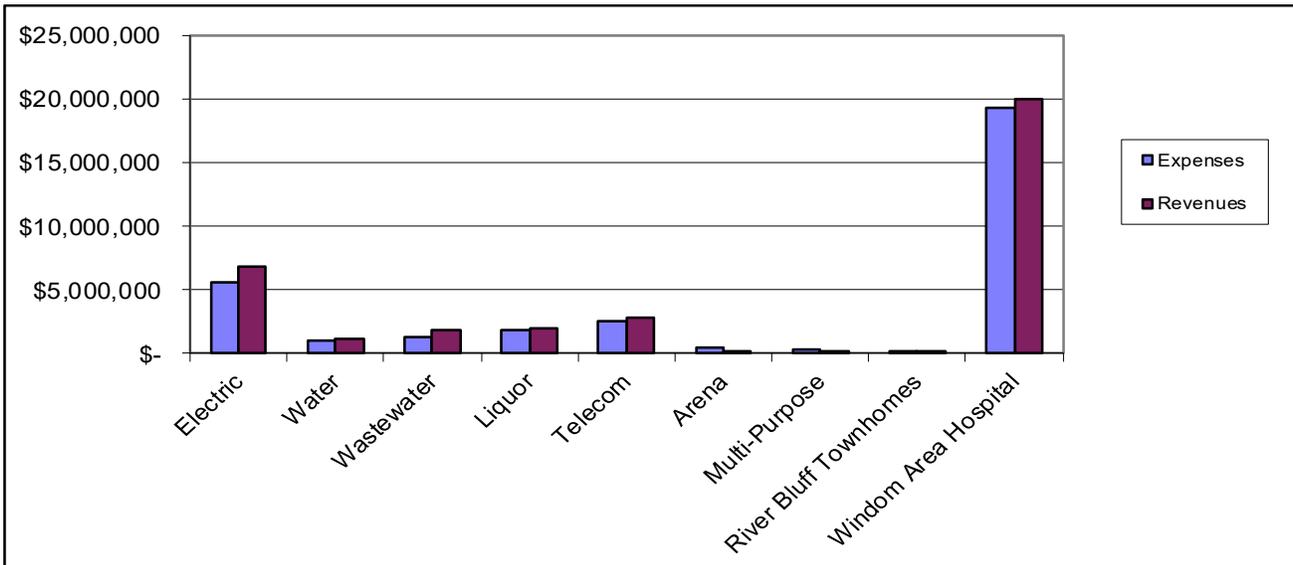
City of Windom's Changes in Net Position (Continued)

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

**2020
Expenses and Program Revenues – Business-Type Activities**



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



**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 \$12,986,039, an increase of \$4,558,788 in comparison with 2019. The City reported an unassigned fund balance in the amount of \$2,234,716. Fund balance of \$242,824 is nonspendable and \$7,500,609 is restricted to indicate that it is not available for new spending. At December 31, 2020 fund balances were as follows:

	Balance	Increase (Decrease) From 2019
General Fund	\$ 3,943,502	\$ 199,877
Economic Development Fund	2,470,459	(13,676)
2020 Street Capital Project Fund	666,896	788,626
Other Governmental Funds	5,905,182	3,583,961
Total	\$ 12,986,039	\$ 4,558,788

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 \$2,671,089.

During the current fiscal year, the City of Windom's general fund balance increased by \$199,877. The increase was primarily due to revenue being slightly higher than anticipated and spending slightly less than anticipated.

The decrease in the economic development fund balance of \$(13,676) was due to spending related to pending capital projects.

The increase in fund balance in the 2020 Street Capital Project Fund of \$788,626 was due to receiving bond proceeds to fund the 2020 Street Capital Project.

The increase in fund balance in the other governmental funds of \$3,583,961 was due to bond proceeds received from issuance of GO Refunding Bonds, Series 2020D that will refund Series 2013A and 2016 lease purchase obligation bonds in February 2021.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 2020 was \$14,275,332, of which \$7,460,772 is unrestricted. Net position increased \$1,484,505 during the current year primarily due favorable power cost purchases and return of dues/fees from Central Minnesota Municipal Power Agency.

The water fund has total net position of \$4,647,214, of which \$1,255,547 is unrestricted. The increase in net position of \$41,454 was related to a 2020 rate increase and lower expenses.

The wastewater fund has total net position of \$19,235,779, of which \$5,445,722 is unrestricted. The net position of the wastewater fund increased by \$2,001,000 during 2020. This increase is mostly related to a capital contribution received for the wastewater treatment plant renovation and a commercial customer's 40% contribution toward an \$18.9 million wastewater treatment renovation.

The liquor fund has total net position of \$830,096. It has unrestricted net position of \$693,381. The net position of the liquor fund increased by \$69,319 during 2020.

The telecom fund reported a deficit net position of (\$7,383,056). A decrease of the deficit from 2019 by \$145,297 was achieved through cost control measures and increased revenue from data services.

The hospital fund has total net position of \$20,168,211. The net position for the hospital fund increased \$980,203 during 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was an approved amendment to the original budget that increased revenues by \$407,216. This increase was due to CARES Act funding from the federal government.

Final budget compared to actual results. The actual total revenue was \$8,015 under final total budgeted revenues of \$4,053,282.

Expenditures came in over budget due to funding for capital expenditures for airport improvements revenues received in and budgeted to be spent in 2019 but expended in 2020, and expenditures of federal CARES Act funds (which were not budgeted).

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020, amounts to \$81,290,341 (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 \$4,925,383 when compared to 2019. 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	
	2020	2019	2020	As Restated 2019	2020	2019
Land	\$ 232,961	\$ 232,961	\$ 519,018	\$ 519,018	\$ 751,979	\$ 751,979
Buildings and Building Improvements	9,796,030	9,716,529	28,908,929	28,524,390	38,704,959	38,240,919
Infrastructure	11,041,922	8,102,013	-	-	11,041,922	8,102,013
Machinery and Equipment	1,666,423	1,673,650	10,231,330	10,249,298	11,897,753	11,922,948
Office Equipment and Furniture	51,589	73,835	123,658	136,948	175,247	210,783
Construction in Progress	551,664	923,544	18,166,817	16,212,772	18,718,481	17,136,316
Total	<u>\$ 23,340,589</u>	<u>\$ 20,722,532</u>	<u>\$ 57,949,752</u>	<u>\$ 55,642,426</u>	<u>\$ 81,290,341</u>	<u>\$ 76,364,958</u>

Long-Term Debt

At the end of the current fiscal year, the City of Windom had total long-term debt outstanding of \$46,332,367. The City of Windom's total long-term debt increased by \$10,449,411 or 29% during the current fiscal period due to the issuance of \$4.5 million construction bonds and \$6.3 million refunding bonds. 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	
	2020	2019	2020	2019	2020	2019
G.O. Bonds	\$ 13,295,000	\$ 7,225,000	\$ 8,390,000	\$ 4,575,000	\$ 21,685,000	\$ 11,800,000
Revenue Bonds	-	-	14,425,000	15,225,000	14,425,000	15,225,000
Capital Lease Obligation	1,801,000	1,883,000	-	-	1,801,000	1,883,000
Notes Payable	201,103	360,311	8,220,264	6,614,645	8,421,367	6,974,956
Total	<u>\$ 15,297,103</u>	<u>\$ 9,468,311</u>	<u>\$ 31,035,264</u>	<u>\$ 26,414,645</u>	<u>\$ 46,332,367</u>	<u>\$ 35,882,956</u>

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- An Electric rate study was completed in 2020 and minor adjustments were made to the residential rate class (small rate increase) and industrial class (small decrease). In sum, these rate adjustments were off-setting and not impact the Department's revenue, but balanced the rates to cover the expenses for each of these classes.
- The Highway 60/71 Corridor Study conducted by KLJ Engineering as sponsored by MN DOT and the City was put on temporary hold due to COVID-19 restrictions.
- Two new commercial projects on Highway 60/71 are slated for construction in 2021 and 2022 consisting of a new car wash and Kwik Trip Truck Stop.
- The Telecom Department and Commission had anticipated to deliver an over-the-top video-streaming service by the end of 2020, but due to COVID-19 restrictions and risks of COVID to residents and Telecom staff the Department was unable to complete in-home upgrades needed. The goal has been moved to year end of 2021 for streaming video.
- Prime Pork is continuing to ramp up operations and employed nearly 900 people at the end of 2020. Prime Pork utilizes City wastewater and electric which greatly contribute to the revenues for these operations.
- Interest rates on investments have been trending lower in 2020. Overall the City's investment earnings on its portfolio have declined slightly. Interest rates for CDs, which is the City's main investment tool, appear to be maintaining on the low end (.5% to 1%).
- Windom's new wastewater treatment plant was substantially completed and operations start-up begin in November\December 2020. The final rate increase related to the construction of the facility will be enacted in 2021 and thereafter adjustments may be made as actual versus projected operational costs are documented.
- The Hospital applied for and received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) of approximately \$1,929,500 with a five-year term at an interest rate of 1%.
- The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic in March of 2020. The COVID-19 pandemic is still having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

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, 2020**

	2020			April 30, 2020
	Governmental Activities	Business-Type Activities	Total	Windom Area Health Foundation
ASSETS				
Cash and Investments	\$ 7,638,723	\$ 17,909,947	\$ 25,548,670	\$ 269,284
Short-Term Investments	-	8,925,137	8,925,137	-
Restricted Cash and Investments	3,372,053	3,540,717	6,912,770	134,319
Taxes Receivable	91,011	139,025	230,036	-
Special Assessments Receivable	1,999,984	165,643	2,165,627	-
Accounts Receivable	744,050	3,247,500	3,991,550	-
Accrued Interest Receivable	-	55,358	55,358	-
Inventory	242,824	1,285,910	1,528,734	-
Prepaid Items	-	141,456	141,456	-
Loans Receivable, Net of Allowance	625,944	2,896,618	3,522,562	-
Land Held for Resale	963,165	-	963,165	-
Net Pension Asset	550,812	-	550,812	-
Capital Assets:				
Land and Construction in Progress	784,625	18,685,835	19,470,460	-
Other Capital Assets, Net of Depreciation	22,555,964	39,263,917	61,819,881	-
Total Assets	39,569,155	96,257,063	135,826,218	403,603
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	406,589	940,823	1,347,412	-
Other Postemployment Benefits Related	18,666	22,638	41,304	-
Total Deferred Outflows of Resources	425,255	963,461	1,388,716	-
LIABILITIES				
Accounts and Contracts Payable	91,891	1,035,349	1,127,240	-
Other Accrued Liabilities	34,474	1,168,559	1,203,033	-
Accrued Interest Payable	151,059	137,963	289,022	-
Unearned Revenue	507,000	347,145	854,145	-
Estimated Third-Party Payor Settlements	-	672,537	672,537	-
Long-Term Liabilities:				
Due within One Year	990,103	2,030,005	3,020,108	-
Due in More than One Year	14,965,089	29,743,017	44,708,106	-
Net Pension Liability, Due in More than One Year	1,412,623	7,116,524	8,529,147	-
Other Postemployment Benefits Liability:				
Due within One Year	18,666	22,638	41,304	-
Due in More than One Year	201,156	419,932	621,088	-
Total Liabilities	18,372,061	42,693,669	61,065,730	-
DEFERRED INFLOWS OF RESOURCES				
Pension Related	618,593	1,132,296	1,750,889	-
NET POSITION				
Net Investment in Capital Assets	12,848,147	29,612,075	42,460,222	-
Restricted for:				
Specific Donor Restriction	-	-	-	134,319
Fire Relief Pension	550,812	-	550,812	-
Capital Projects	2,049,004	-	2,049,004	-
Debt Service	957,384	398,331	1,355,715	-
Economic Development	1,128,149	-	1,128,149	-
Unrestricted	3,470,260	23,384,153	26,854,413	269,284
Total Net Position	<u>\$ 21,003,756</u>	<u>\$ 53,394,559</u>	<u>\$ 74,398,315</u>	<u>\$ 403,603</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

<u>Functions/Programs</u>	2020			
	Expenses	Program Revenues Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 685,635	\$ 83,912	\$ 249,081	\$ 113,347
Public Safety	2,294,953	997,453	277,467	15,666
Public Works	1,190,055	162,195	50,823	1,681,735
Culture and Recreation	822,711	45,417	18,437	-
Economic Development	623,450	132,855	9,578	47,448
Interest on Long-Term Debt	635,707	-	7,825	-
Total Governmental Activities	6,252,511	1,421,832	613,211	1,858,196
Business-Type Activities:				
Electric	5,524,963	7,108,725	-	-
Water	1,191,309	1,304,712	-	-
Wastewater	1,294,605	1,899,381	-	1,397,500
Liquor	2,170,730	2,335,855	-	-
Telecom	2,744,424	2,883,454	-	-
Arena	421,884	60,001	-	-
Multi-Purpose Center	347,852	97,998	-	-
River Bluff Townhomes	93,212	99,692	-	-
Windom Area Health	19,967,322	20,604,831	-	146,210
Total Business-Type Activities	33,756,301	36,394,649	-	1,543,710
Total Primary Government	\$ 40,008,812	\$ 37,816,481	\$ 613,211	\$ 3,401,906
Component Unit:				
Windom Area Health Foundation	\$ 47,112	\$ 30,742	\$ 26,442	\$ -

GENERAL REVENUES

Taxes:

Property Taxes, Levied for General Purpose

Tax Increments

Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Interest Income

Gain on Sale of Capital Assets

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

2020			April 30, 2020	
Net (Expense) Revenue and Changes in Net Position			Windom Area Health Foundation	
Governmental Activities	Business-Type Activities	Total		
\$ (239,295)	\$ -	\$ (239,295)	\$ -	
(1,004,367)	-	(1,004,367)	-	
704,698	-	704,698	-	
(758,857)	-	(758,857)	-	
(433,569)	-	(433,569)	-	
(627,882)	-	(627,882)	-	
<u>(2,359,272)</u>	<u>-</u>	<u>(2,359,272)</u>	<u>-</u>	
-	1,583,762	1,583,762	-	
-	113,403	113,403	-	
-	2,002,276	2,002,276	-	
-	165,125	165,125	-	
-	139,030	139,030	-	
-	(361,883)	(361,883)	-	
-	(249,854)	(249,854)	-	
-	6,480	6,480	-	
-	783,719	783,719	-	
<u>-</u>	<u>4,182,058</u>	<u>4,182,058</u>	<u>-</u>	
(2,359,272)	4,182,058	1,822,786	-	
-	-	-	10,072	
1,542,056	596,684	2,138,740	-	
780,969	-	780,969	-	
58,102	-	58,102	-	
1,529,168	-	1,529,168	-	
54,816	318,235	373,051	-	
20,000	14,472	34,472	-	
330,351	(330,351)	-	-	
<u>4,315,462</u>	<u>599,040</u>	<u>4,914,502</u>	<u>-</u>	
1,956,190	4,781,098	6,737,288	10,072	
<u>19,047,566</u>	<u>48,613,461</u>	<u>67,661,027</u>	<u>393,531</u>	
<u>\$ 21,003,756</u>	<u>\$ 53,394,559</u>	<u>\$ 74,398,315</u>	<u>\$ 403,603</u>	

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2020**

	General Fund	Economic Development Fund	2020 Street Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 3,237,965	\$ 1,187,027	\$ 669,185	\$ 2,538,818	\$ 7,632,995
Restricted Cash and Investments	-	-	-	3,372,053	3,372,053
Property Taxes Receivable	91,011	-	-	-	91,011
Special Assessments Receivable	7,493	20,195	1,038,649	933,647	1,999,984
Accounts Receivable	293,899	236	-	449,915	744,050
Due from Other Funds	436,373	-	-	-	436,373
Inventory	37,124	205,700	-	-	242,824
Loans Receivable, Net of Allowance	-	625,944	-	-	625,944
Land Held for Resale	-	963,165	-	-	963,165
Total Assets	\$ 4,103,865	\$ 3,002,267	\$ 1,707,834	\$ 7,294,433	\$ 16,108,399
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts and Contracts Payable	\$ 70,292	\$ 1,785	\$ 2,289	\$ 17,525	\$ 91,891
Other Accrued Liabilities	23,459	1,421	-	3,866	28,746
Due to Other Funds	-	-	-	436,373	436,373
Unearned Revenue	-	507,000	-	-	507,000
Total Liabilities	93,751	510,206	2,289	457,764	1,064,010
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	66,612	21,602	1,038,649	931,487	2,058,350
FUND BALANCES (DEFICITS)					
Nonspendable	37,124	205,700	-	-	242,824
Restricted	-	2,264,759	666,896	4,568,954	7,500,609
Committed	56,315	-	-	-	56,315
Assigned	1,178,974	-	-	1,772,601	2,951,575
Unassigned	2,671,089	-	-	(436,373)	2,234,716
Total Fund Balances (Deficits)	3,943,502	2,470,459	666,896	5,905,182	12,986,039
Total Liabilities and Fund Balances	\$ 4,103,865	\$ 3,002,267	\$ 1,707,834	\$ 7,294,433	\$ 16,108,399

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, 2020**

Total Fund Balance for Governmental Funds \$ 12,986,039

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	551,664
Buildings and Building Improvements	13,422,056
Machinery and Equipment	8,977,775
Infrastructure	21,709,558
Office Equipment and Furniture	208,689
Less: Accumulated Depreciation	(21,762,114)

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. 2,058,350

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. (151,059)

The City's net pension asset is recorded only on the statement of net position. 550,812

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	(13,295,000)
Unamortized Discounts and Premium	(402,091)
Note Payable	(201,103)
Capital Lease Obligation	(1,801,000)
Deferred Outflows of Resources - Pensions	406,589
Deferred Outflows of Resources - Other Postemployment Benefits	18,666
Deferred Inflows of Resources - Pensions	(618,593)
Net Pension Liability	(1,412,623)
Other Postemployment Benefits Liability	(219,822)
Compensated Absences Payable	(255,998)

Total Net Position of Governmental Activities \$ 21,003,756

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020**

	General Fund	Economic Development Fund	2020 Street Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	\$ 996,000	\$ 90,454	\$ -	\$ 454,195	\$ 1,540,649
Tax Increments	-	780,969	-	-	780,969
Other Taxes	58,102	-	-	-	58,102
Licenses and Permits	59,319	-	-	-	59,319
Intergovernmental	2,461,848	-	-	139,702	2,601,550
Special Assessments	10,515	7,682	322,770	-	340,967
Charges for Services	297,311	-	-	812,442	1,109,753
Fines and Forfeits	23,826	-	-	-	23,826
Interest Income	41,936	1,639	1,133	10,108	54,816
Refunds and Reimbursements	54,261	-	-	12,190	66,451
Grants and Contributions	23,351	55,914	-	20,894	100,159
Miscellaneous	18,778	132,855	25,000	1,516	178,149
Total Revenues	<u>4,045,247</u>	<u>1,069,513</u>	<u>348,903</u>	<u>1,451,047</u>	<u>6,914,710</u>
EXPENDITURES					
Current:					
General Government	445,298	-	-	-	445,298
Public Safety	1,417,105	-	-	465,890	1,882,995
Public Works	737,800	-	236,084	8,051	981,935
Culture and Recreation	556,649	-	-	-	556,649
Economic Development	-	733,469	-	-	733,469
Capital Outlay:					
General Government	2,977	-	-	-	2,977
Public Safety	72,565	-	-	136,295	208,860
Public Works	510,093	-	2,844,236	3,000	3,357,329
Culture and Recreation	243,909	-	-	-	243,909
Economic Development	-	-	-	-	-
Capital Leases:					
Principal	-	-	-	82,000	82,000
Interest and Fiscal Charges	-	-	-	54,517	54,517
Debt Service:					
Principal	-	309,208	-	540,000	849,208
Interest and Fiscal Charges	-	40,512	96,311	212,923	349,746
Total Expenditures	<u>3,986,396</u>	<u>1,083,189</u>	<u>3,176,631</u>	<u>1,502,676</u>	<u>9,748,892</u>
REVENUE OVER (UNDER) EXPENDITURES	58,851	(13,676)	(2,827,728)	(51,629)	(2,834,182)
OTHER FINANCING SOURCES (USES)					
Transfer In	249,500	-	-	189,325	438,825
Transfer Out	(108,474)	-	-	-	(108,474)
Issuance of Bonds	-	-	3,480,000	-	3,480,000
Issuance of Refunding Bonds	-	-	-	3,280,000	3,280,000
Proceeds from Sale of Capital Assets	-	-	-	20,000	20,000
Bond Premium	-	-	136,354	146,265	282,619
Total Other Financing Sources (Uses)	<u>141,026</u>	<u>-</u>	<u>3,616,354</u>	<u>3,635,590</u>	<u>7,392,970</u>
NET CHANGE IN FUND BALANCE	199,877	(13,676)	788,626	3,583,961	4,558,788
Fund Balance - Beginning of Year	3,743,625	2,484,135	(121,730)	2,321,221	8,427,251
FUND BALANCE - END OF YEAR	<u>\$ 3,943,502</u>	<u>\$ 2,470,459</u>	<u>\$ 666,896</u>	<u>\$ 5,905,182</u>	<u>\$ 12,986,039</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, 2020**

Net Change in Fund Balances-Total Governmental Funds \$ 4,558,788

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	3,832,836
Loss on Disposal of Capital Assets	(65,306)
Depreciation Expense	(1,149,473)

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.

68,308

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.

(63,537)

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:

Issuance of Bonds	(3,480,000)
Issuance of Refunding Bonds	(3,280,000)
Repayment of Capital Lease Obligations	82,000
Bond Premium	(282,619)
Repayment of Bond Principal and Note Payable	849,208
Change in Accrued Interest Expense for General Obligation Bonds	(48,905)
Amortization of Bond Premium	21,253

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.

935,815

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).

(22,178)

Change in Net Position of Governmental Activities

\$ 1,956,190

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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, 2020

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
General Property Taxes	\$ 979,032	\$ 979,032	\$ 996,000	\$ 16,968
Other Taxes	27,000	59,000	58,102	(898)
Licenses and Permits	69,920	69,920	59,319	(10,601)
Intergovernmental	2,179,209	2,532,225	2,461,848	(70,377)
Special Assessments	-	-	10,515	10,515
Charges for Services	295,385	295,735	297,311	1,576
Fines and Forfeits	12,500	12,500	23,826	11,326
Investment Earnings	25,000	25,000	41,936	16,936
Refunds/Reimbursements	50,000	50,000	54,261	4,261
Grants and Contributions	2,000	24,650	23,351	(1,299)
Miscellaneous	6,000	5,200	18,778	13,578
Total Revenues	<u>3,646,046</u>	<u>4,053,262</u>	<u>4,045,247</u>	<u>(8,015)</u>
EXPENDITURES				
General Government:				
Mayor and Council:	110,823	124,823	124,794	29
Financial Administration	143,509	152,509	145,828	6,681
Elections	6,800	6,800	7,172	(372)
Building and Zoning	149,635	149,635	138,218	11,417
City Hall	36,244	36,244	29,286	6,958
Total General Government	<u>447,011</u>	<u>470,011</u>	<u>445,298</u>	<u>24,713</u>
Public Safety:				
Police Protection	1,254,642	1,254,642	1,240,438	14,204
Fire Protection	177,473	177,473	170,559	6,914
Civil Defense	5,886	5,886	4,760	1,126
Animal Control	2,700	2,700	1,348	1,352
Total Public Safety	<u>1,440,701</u>	<u>1,440,701</u>	<u>1,417,105</u>	<u>23,596</u>
Public Works:				
Street Department	580,949	580,949	596,962	(16,013)
Sanitation	22,000	22,000	26,260	(4,260)
Airport	119,911	119,911	114,578	5,333
Total Public Works	<u>722,860</u>	<u>722,860</u>	<u>737,800</u>	<u>(14,940)</u>
Culture and Recreation:				
Parks	244,068	244,068	250,182	(6,114)
Library	213,708	213,708	191,038	22,670
Pool	120,063	120,063	115,429	4,634
Total Culture and Recreation	<u>577,839</u>	<u>577,839</u>	<u>556,649</u>	<u>21,190</u>
Capital Outlay	564,538	678,538	829,544	(151,006)
Debt Service:				
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>3,752,949</u>	<u>3,889,949</u>	<u>3,986,396</u>	<u>(96,447)</u>
REVENUES OVER (UNDER) EXPENDITURES	(106,903)	163,313	58,851	(104,462)
OTHER FINANCING SOURCES (USES)				
Transfer In	274,000	274,000	249,500	(24,500)
Transfer Out	(56,641)	(56,641)	(108,474)	(51,833)
Total Other Financing Sources (Uses)	<u>217,359</u>	<u>217,359</u>	<u>141,026</u>	<u>(76,333)</u>
NET CHANGE IN FUND BALANCE	\$ 110,456	\$ 380,672	199,877	\$ (180,795)
Fund Balance - Beginning of Year			3,743,625	
FUND BALANCE - END OF YEAR			<u>\$ 3,943,502</u>	

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS	<u>Electric</u>	<u>Water</u>	<u>Liquor</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 5,928,195	\$ 1,318,063	\$ 607,398
Short-Term Investments	-	-	-
Restricted Cash and Investments	-	921,720	-
Accounts Receivable, Net of Allowance	726,922	98,265	25,164
Accrued Interest Receivable	-	-	-
Other Receivables	-	-	-
Special Assessments Receivable:	-	107,160	-
Loan Receivable	-	-	-
Due from Other Funds	1,206,279	-	-
Inventory	608,808	49,424	340,318
Prepaid Items	-	-	-
Total Current Assets	<u>8,470,204</u>	<u>2,494,632</u>	<u>972,880</u>
LONG-TERM ASSETS			
Capital Assets:			
Land, Buildings, Infrastructure, and Improvements	13,515,921	8,919,208	402,336
Equipment	2,579,797	4,415,930	134,808
Construction in Progress	60,195	8,635	-
Total Capital Assets	<u>16,155,913</u>	<u>13,343,773</u>	<u>537,144</u>
Less: Allowance for Depreciation	<u>(9,341,353)</u>	<u>(7,554,871)</u>	<u>(400,429)</u>
Total Net Capital Assets	<u>6,814,560</u>	<u>5,788,902</u>	<u>136,715</u>
Total Long-Term Assets	<u>6,814,560</u>	<u>5,788,902</u>	<u>136,715</u>
Total Assets	<u>15,284,764</u>	<u>8,283,534</u>	<u>1,109,595</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	31,435	14,304	11,299
Other Postemployment Benefits Related	5,560	2,383	1,589
Total Deferred Outflows of Resources	<u>36,995</u>	<u>16,687</u>	<u>12,888</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts and Contracts Payable	311,669	12,086	90,041
Accrued Expenses	8,720	4,166	2,983
Due to Other Funds	-	-	-
Accrued Interest	-	29,518	-
Estimated Third-Party Payor Settlements	-	-	-
Unearned Revenue	103,365	-	-
Other Postemployment Benefits Liability - Current Portion	5,559	2,383	1,589
Bonds Payable - Current Portion	-	171,000	-
Total Current Liabilities	<u>429,313</u>	<u>219,153</u>	<u>94,613</u>
LONG-TERM LIABILITIES			
Compensated Absences - Long-Term	127,732	57,787	26,300
Net Pension Liability	405,940	184,719	145,901
Other Postemployment Benefits Liability	59,921	25,678	17,119
Bonds Payable - Long-Term	-	3,154,965	-
Total Long-Term Liabilities	<u>593,593</u>	<u>3,423,149</u>	<u>189,320</u>
Total Liabilities	<u>1,022,906</u>	<u>3,642,302</u>	<u>283,933</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	23,521	10,705	8,454
NET POSITION			
Net Investment in Capital Assets	6,814,560	3,391,667	136,715
Restricted for Debt Service	-	-	-
Unrestricted	<u>7,460,772</u>	<u>1,255,547</u>	<u>693,381</u>
Total Net Position	<u>\$ 14,275,332</u>	<u>\$ 4,647,214</u>	<u>\$ 830,096</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 DECEMBER 31, 2020**

Wastewater	Telecom	Windom Area Health April 30, 2020	Other Proprietary Funds	Total
\$ 2,516,712	\$ -	\$ 6,780,202	\$ 759,377	\$ 17,909,947
-	732,040	8,193,097	-	8,925,137
2,220,666	-	398,331	-	3,540,717
253,601	275,282	1,832,513	35,753	3,247,500
-	-	55,358	-	55,358
-	-	139,025	-	139,025
58,483	-	-	-	165,643
2,896,618	-	-	-	2,896,618
-	-	-	-	1,206,279
-	52,755	234,605	-	1,285,910
83,319	-	58,137	-	141,456
<u>8,029,399</u>	<u>1,060,077</u>	<u>17,691,268</u>	<u>795,130</u>	<u>39,513,590</u>
12,400,323	5,036,883	16,579,357	5,655,223	62,509,251
1,658,562	6,185,424	13,580,263	618,484	29,173,268
<u>18,013,352</u>	<u>84,635</u>	<u>-</u>	<u>-</u>	<u>18,166,817</u>
32,072,237	11,306,942	30,159,620	6,273,707	109,849,336
<u>(7,116,742)</u>	<u>(9,177,111)</u>	<u>(15,037,140)</u>	<u>(3,271,938)</u>	<u>(51,899,584)</u>
<u>24,955,495</u>	<u>2,129,831</u>	<u>15,122,480</u>	<u>3,001,769</u>	<u>57,949,752</u>
24,955,495	2,129,831	15,122,480	3,001,769	57,949,752
32,984,894	3,189,908	32,813,748	3,796,899	97,463,342
14,263	25,724	830,283	13,515	940,823
3,971	4,766	-	4,369	22,638
<u>18,234</u>	<u>30,490</u>	<u>830,283</u>	<u>17,884</u>	<u>963,461</u>
137,583	93,509	378,551	11,910	1,035,349
4,398	11,273	1,046,731	90,288	1,168,559
-	1,206,279	-	-	1,206,279
73,600	21,394	-	13,451	137,963
-	-	672,537	-	672,537
-	231,977	-	11,803	347,145
3,972	4,766	-	4,369	22,638
904,005	661,000	230,000	64,000	2,030,005
<u>1,123,558</u>	<u>2,230,198</u>	<u>2,327,819</u>	<u>195,821</u>	<u>6,620,475</u>
59,484	117,337	-	32,754	421,394
184,182	332,162	5,689,110	174,510	7,116,524
42,799	51,358	175,979	47,078	419,932
<u>12,346,654</u>	<u>7,853,152</u>	<u>4,233,327</u>	<u>1,733,525</u>	<u>29,321,623</u>
<u>12,633,119</u>	<u>8,354,009</u>	<u>10,098,416</u>	<u>1,987,867</u>	<u>37,279,473</u>
13,756,677	10,584,207	12,426,235	2,183,688	43,899,948
10,672	19,247	1,049,585	10,112	1,132,296
13,790,057	(6,384,321)	10,659,153	1,204,244	29,612,075
-	-	398,331	-	398,331
<u>5,445,722</u>	<u>(998,735)</u>	<u>9,110,727</u>	<u>416,739</u>	<u>23,384,153</u>
<u>\$ 19,235,779</u>	<u>\$ (7,383,056)</u>	<u>\$ 20,168,211</u>	<u>\$ 1,620,983</u>	<u>\$ 53,394,559</u>

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2020**

	Electric	Water	Liquor
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ 2,335,855
Costs of Goods Sold	-	-	(1,710,204)
Charges for Services	7,108,725	1,302,602	-
Charges for Materials and Labor	-	2,110	-
Facility Use/Other Revenue	-	-	-
Total Gross Profit and Operating Revenues	<u>7,108,725</u>	<u>1,304,712</u>	<u>625,651</u>
OPERATING EXPENSES			
Cost of Power	3,718,034	-	-
Personal Services	627,560	354,296	274,252
Other Professional Services	-	-	-
Administrative and General	515,551	309,888	157,416
Depreciation and Amortization	663,818	421,798	28,858
Other Operating Expense	-	20,278	-
Total Operating Expenses	<u>5,524,963</u>	<u>1,106,260</u>	<u>460,526</u>
OPERATING INCOME (LOSS)	1,583,762	198,452	165,125
OTHER INCOME (EXPENSES)			
Interest Income	67,021	488	4,194
Interest Expense and Bond Issue Costs	-	(85,049)	-
Gain (Loss) on Sale of Capital Assets	14,472	-	-
Taxes and Special Assessments	-	10,626	-
Total Other Income (Expenses)	<u>81,493</u>	<u>(73,935)</u>	<u>4,194</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,665,255	124,517	169,319
CONTRIBUTIONS AND TRANSFERS			
Transfers In	20,000	-	-
Transfers Out	(200,750)	(83,063)	(100,000)
Capital Contributions	-	-	-
Total Contributions and Transfers	<u>(180,750)</u>	<u>(83,063)</u>	<u>(100,000)</u>
CHANGE IN NET POSITION	1,484,505	41,454	69,319
Net Position - Beginning of Year	<u>12,790,827</u>	<u>4,605,760</u>	<u>760,777</u>
NET POSITION - END OF YEAR	<u>\$ 14,275,332</u>	<u>\$ 4,647,214</u>	<u>\$ 830,096</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

Wastewater	Telecom	Windom Area Health April 30, 2020	Other Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,335,855
-	-	-	-	(1,710,204)
1,899,381	2,883,454	19,875,325	-	33,069,487
-	-	-	-	2,110
-	-	729,506	257,691	987,197
<u>1,899,381</u>	<u>2,883,454</u>	<u>20,604,831</u>	<u>257,691</u>	<u>34,684,445</u>
-	-	-	-	3,718,034
276,217	587,365	5,579,810	348,446	8,047,946
-	-	5,853,739	-	5,853,739
395,263	1,342,881	6,889,535	312,030	9,922,564
408,501	341,919	1,472,603	166,893	3,504,390
-	20,105	171,635	-	212,018
<u>1,079,981</u>	<u>2,292,270</u>	<u>19,967,322</u>	<u>827,369</u>	<u>31,258,691</u>
819,400	591,184	637,509	(569,678)	3,425,754
40,850	4,343	196,484	4,855	318,235
(214,624)	(452,154)	-	(35,579)	(787,406)
-	-	-	-	14,472
2,995	-	-	583,063	596,684
<u>(170,779)</u>	<u>(447,811)</u>	<u>196,484</u>	<u>552,339</u>	<u>141,985</u>
648,621	143,373	833,993	(17,339)	3,567,739
-	4,174	-	76,659	100,833
(45,121)	(2,250)	-	-	(431,184)
1,397,500	-	146,210	-	1,543,710
<u>1,352,379</u>	<u>1,924</u>	<u>146,210</u>	<u>76,659</u>	<u>1,213,359</u>
2,001,000	145,297	980,203	59,320	4,781,098
<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>
<u>\$ 19,235,779</u>	<u>\$ (7,383,056)</u>	<u>\$ 20,168,211</u>	<u>\$ 1,620,983</u>	<u>\$ 53,394,559</u>

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	Electric	Water	Liquor
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 7,127,352	\$ 1,350,075	\$ 2,326,035
Cash Paid to Suppliers	(4,315,853)	(315,918)	(1,863,847)
Cash Paid to Employees	(625,300)	(355,149)	(304,495)
Net Cash Provided (Used) by Operating Activities	<u>2,186,199</u>	<u>679,008</u>	<u>157,693</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (In) Out	(180,750)	(83,063)	(100,000)
Due to Other Funds	75,829	-	-
Loans	-	-	-
Property Tax Revenues	-	10,626	-
Payments from Escrow Account	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(104,921)</u>	<u>(72,437)</u>	<u>(100,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Bonds and Notes	-	1,600,396	-
Proceeds from Refunding Bonds	-	-	-
Proceeds from Sale of Capital Assets	14,472	-	-
Capital Grants and Contributions	-	-	-
Acquisition and Construction of Capital Assets	(552,937)	(558,626)	(11,649)
Interest Paid on Revenue Bonds	-	(79,567)	-
Payments to Refunding Escrow Agent	-	-	-
Principal Payments on Bonds and Notes	-	(168,405)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(538,465)</u>	<u>793,798</u>	<u>(11,649)</u>
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)	67,021	488	4,194
Net Cash Provided (Used) by Investing Activities	<u>67,021</u>	<u>488</u>	<u>4,194</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,609,834	1,400,857	50,238
Cash and Cash Equivalents - Beginning of Year	<u>4,318,361</u>	<u>838,926</u>	<u>557,160</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,928,195</u>	<u>\$ 2,239,783</u>	<u>\$ 607,398</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position			
Cash	\$ 5,928,195	\$ 1,318,063	\$ 607,398
Restricted Cash and Investments	-	921,720	-
Total Cash and Cash Equivalents	<u>\$ 5,928,195</u>	<u>\$ 2,239,783</u>	<u>\$ 607,398</u>
NONCASH TRANSACTIONS			
Amortized Bond Premiums and Discounts	\$ -	\$ (4,343)	\$ -
Total Noncash Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ (3,956)</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

Wastewater	Telecom	Windom Area Health April 30, 2020	Other Proprietary Funds	Total
\$ 1,989,902	\$ 2,889,430	\$ 21,962,988	\$ 257,882	\$ 37,903,664
(712,278)	(1,352,109)	(11,614,016)	(302,524)	(20,476,545)
(298,740)	(584,029)	(7,334,026)	(356,344)	(9,858,083)
<u>978,884</u>	<u>953,292</u>	<u>3,014,946</u>	<u>(400,986)</u>	<u>7,569,036</u>
(45,121)	1,924	-	76,659	(330,351)
-	(75,829)	-	-	-
365,519	-	-	-	365,519
11,950	-	-	583,063	605,639
-	102,039	-	-	102,039
<u>332,348</u>	<u>28,134</u>	<u>-</u>	<u>659,722</u>	<u>742,846</u>
5,006,463	-	-	-	6,606,859
-	7,820,000	-	-	7,820,000
-	-	-	-	14,472
1,397,500	-	146,210	-	1,543,710
(3,885,311)	(74,820)	(707,034)	(21,342)	(5,811,719)
(206,316)	(465,949)	-	(38,503)	(790,335)
-	(7,660,000)	-	-	(7,660,000)
<u>(887,600)</u>	<u>(605,000)</u>	<u>(225,000)</u>	<u>(57,396)</u>	<u>(1,943,401)</u>
1,424,736	(985,769)	(785,824)	(117,241)	(220,414)
-	-	(8,341,729)	-	(8,341,729)
-	-	7,631,965	-	7,631,965
-	-	(40,087)	-	(40,087)
-	-	40,087	-	40,087
40,850	4,343	196,484	4,855	318,235
<u>40,850</u>	<u>4,343</u>	<u>(513,280)</u>	<u>4,855</u>	<u>(391,529)</u>
2,776,818	-	1,715,842	146,350	7,699,939
<u>1,960,560</u>	<u>-</u>	<u>5,064,360</u>	<u>613,027</u>	<u>13,352,394</u>
<u>\$ 4,737,378</u>	<u>\$ -</u>	<u>\$ 6,780,202</u>	<u>\$ 759,377</u>	<u>\$ 21,052,333</u>
\$ 2,516,712	\$ -	\$ 6,780,202	\$ 759,377	\$ 17,909,947
2,220,666	-	-	-	3,142,386
<u>\$ 4,737,378</u>	<u>\$ -</u>	<u>\$ 6,780,202</u>	<u>\$ 759,377</u>	<u>\$ 21,052,333</u>
\$ -	\$ (3,337)	\$ -	\$ -	\$ (7,680)
<u>\$ -</u>	<u>\$ (3,337)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,293)</u>

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

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)	\$ 1,583,762	\$ 198,452	\$ 165,125
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Provision for Bad Debts	-	-	-
Depreciation and Amortization	663,818	421,798	28,858
Increase in Deferred Outflows - Pension Related	(5,239)	(3,254)	(1,751)
(Increase) in Net Pension Liability	60,253	38,915	19,907
(Increase) in Deferred Inflows - Pension Related	(50,244)	(20,409)	(18,432)
Increase in Deferred Outflows - OPEB Related	(1,421)	(609)	(406)
(Increase) in Total OPEB Liability	20,347	8,720	5,813
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(1,048)	45,363	(9,820)
(Increase) Decrease in Accrued Interest Receivable	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-
(Increase) Decrease in Inventory	(60,159)	(6,982)	(40,613)
Increase (Decrease) in Accounts and Contracts Payable	(45,805)	6,647	39,255
Increase (Decrease) in Due to Third Party Payer	-	-	-
Increase (Decrease) in Accrued Expenses	(15,161)	(8,780)	(35,613)
Increase (Decrease) in Due to Other Governments	-	-	-
Increase (Decrease) in Unearned Revenue	19,675	-	-
Increase (Decrease) in Accrued Compensated Absences	17,421	(853)	5,370
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,186,199</u>	<u>\$ 679,008</u>	<u>\$ 157,693</u>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

Wastewater	Telecom	Windom Area Health April 30, 2020	Other Proprietary Funds	Total
\$ 819,400	\$ 591,184	\$ 637,509	\$ (569,678)	\$ 3,425,754
-	-	422,280	-	422,280
408,501	341,919	1,472,603	166,893	3,504,390
2,365	(2,925)	481,896	(1,661)	469,431
(35,244)	31,314	159,894	18,097	293,136
(36,150)	(44,951)	(436,651)	(23,265)	(630,102)
(1,015)	(1,218)	-	(1,117)	(5,786)
14,534	17,440	29,469	15,987	112,310
90,521	515	612,159	(2,696)	734,994
-	-	35,361	-	35,361
(83,319)	-	(24,836)	-	(108,155)
-	-	-	-	(107,754)
(178,186)	(3,836)	(540,724)	1,465	(721,184)
-	-	258,888	-	258,888
(29,413)	15,053	-	(10,732)	(84,646)
-	(10,601)	(92,902)	-	(103,503)
-	5,461	-	2,887	28,023
6,890	13,937	-	2,834	45,599
<u>\$ 978,884</u>	<u>\$ 953,292</u>	<u>\$ 3,014,946</u>	<u>\$ (400,986)</u>	<u>\$ 7,569,036</u>

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NOTES TO FINANCIAL STATEMENTS

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CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. The EDA provides services primarily to the City of Windom and the City Council appoints the EDA's board members. Therefore, the EDA has been reported as a blended component unit of the City. The EDA does not issue its own separate financial statements.

Windom Area Health and Foundation

The Windom Area Health (WAH or Hospital) 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, 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 appoints the governing board and approves the budget of the WAH. The Foundation is reported as a discretely presented component unit in the City's financial statements. Separately issued financial statements are available for WAH and its Foundation by contacting the chief financial officer of WAH 2150 Hospital Drive, Windom, Minnesota 56101.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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. 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.

2020 Street Capital Project Fund

This Capital Project Fund accounts for the financial resources to be used for the construction of major street improvement projects as well as capital asset purchases.

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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.

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, 2020

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.

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. The EDA does not have a legally adopted budget. 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, 2020**

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 and investments in the Minnesota Municipal Money Market Fund are reported at amortized cost. Other investments are reported at fair value.

2. Restricted Cash and Investments

At December 31, 2020, 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 and also for the proceeds from the sale of Series 2020D bonds for refunding older bond issues in 2021.

At April 30, 2020, restricted cash and investments of the Hospital consisted of certificates of deposit held by US Bank for the purpose of the project and reserve fund for the Revenue Hospital Bonds, Series 2014A.

3. 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, 2020**

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)

3. 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.

4. 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. 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, 2020, the allowance for uncollectible accounts was approximately \$379,000.

6. 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.

7. Inventories

Inventories are valued at the lower of cost or net realizable value, using the first-in/first out method.

8. Prepaid Items

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

9. 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.

10. 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, 2020

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)

11. 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.

12. 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. 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.

14. 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.

15. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest 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.

16. Deferred Outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs. More detailed information about pension 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, 2020**

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)

17. Deferred Inflows of Resources

The City's governmental fund and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The second type of deferred inflow of resources relates to pension activity as described in Notes 5 and 10.

18. Interfund Transactions

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

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

19. Net Position

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

20. Fund Balance

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

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

20. Fund Balance (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.

21. Use of Estimates

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

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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)

22. Policy for Care of the Underserved

The Hospital provides care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. The Hospital believes the underserved are those persons who are unable through private resources, employer support, or public aid to provide payment for health care services or those unable to gain access to health related care because of limited resources, inadequate education, or discrimination. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges forgone for charity care were approximately \$152,000 for the year ended April 30, 2020.

23. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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, 2020, 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, 2020**

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, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

As of December 31, 2020, the City and the Hospital had the following investments:

External Investment Pools –

	Amortized Cost
Minnesota Municipal Money Market Fund- Liquid Asset Fund	\$ 7,162,213
Minnesota Municipal Money Market Fund Plus- Liquid Asset Fund	2,225,520
Total	\$ 9,387,733

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. 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.

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, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Cash on Hand	\$ 2,335
Deposits	11,459,631
External Investment Pool	9,387,733
Non-Negotiable Certificates of Deposits	20,536,878
Total Cash and Investments	<u>\$ 41,386,577</u>
Cash and Investments	\$ 25,548,670
Short-Term Investments	8,925,137
Restricted Cash and Investments	6,912,770
Total Cash and Investments	<u>\$ 41,386,577</u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 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	923,544	36,354	(408,234)	-	551,664
Total Capital Assets, Not Being Depreciated	1,156,505	36,354	(408,234)	-	784,625
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	12,977,190	444,866	-	-	13,422,056
Office Equipment and Furniture	208,689	-	-	-	208,689
Machinery and Equipment	8,835,584	355,029	(212,838)	-	8,977,775
Infrastructure	18,304,737	3,404,821	-	-	21,709,558
Total Capital Assets, Being Depreciated	40,326,200	4,204,716	(212,838)	-	44,318,078
Accumulated Depreciation for:					
Buildings and Building Improvements	(3,260,661)	(365,365)	-	-	(3,626,026)
Improvements	-	-	-	-	-
Office Equipment and Furniture	(134,854)	(22,246)	-	-	(157,100)
Machinery and Equipment	(7,161,934)	(296,950)	147,532	-	(7,311,352)
Infrastructure	(10,202,724)	(464,912)	-	-	(10,667,636)
Total Accumulated Depreciation	(20,760,173)	(1,149,473)	147,532	-	(21,762,114)
Total Capital Assets, Being Depreciated, Net	19,566,027	3,055,243	(65,306)	-	22,555,964
Governmental Activities Capital Assets, Net	\$ 20,722,532	\$ 3,091,597	\$ (473,540)	\$ -	\$ 23,340,589

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 340,449
Public Safety	290,354
Public Works	402,338
Culture and Recreation	29,854
Economic Development	86,478
Total Depreciation Expense, Governmental Activities	\$ 1,149,473

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 519,018	\$ -	\$ -	\$ -	\$ 519,018
Construction in Progress	16,212,772	3,789,102	(783,513)	(1,051,544)	18,166,817
Total Capital Assets, not Being Depreciated	16,731,790	3,789,102	(783,513)	(1,051,544)	18,685,835
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	59,340,829	2,096,544	(1,560)	521,723	61,957,536
Office Equipment and Furniture	606,308	11,649	-	-	617,957
Machinery and Shop Equipment	27,496,965	697,934	(136,712)	529,821	28,588,008
Total Capital Assets, Being Depreciated	87,444,102	2,806,127	(138,272)	1,051,544	91,163,501
Accumulated Depreciation for:					
Buildings and Building Improvements	(30,816,439)	(2,233,728)	1,560	-	(33,048,607)
Office Equipment and Furniture	(469,360)	(24,939)	-	-	(494,299)
Machinery and Shop Equipment	(17,247,667)	(1,245,723)	136,712	-	(18,356,678)
Total Accumulated Depreciation	(48,533,466)	(3,504,390)	138,272	-	(51,899,584)
Total Capital Assets, Being Depreciated, Net	38,910,636	(698,263)	-	1,051,544	39,263,917
Business-Type Activities Capital Assets, Net	\$ 55,642,426	\$ 3,090,839	\$ (783,513)	\$ -	\$ 57,949,752

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

Business-Type Activities:	
Electric Fund	\$ 663,818
Water Fund	421,798
Liquor Fund	28,858
Wastewater Fund	408,501
Telecom Fund	341,919
Windom Area Hospital	1,472,603
Arena Fund	82,076
Multi-Purpose Fund	56,735
River Bluff Townhomes	28,082
Total Depreciation Expense, Business-Type Activities	\$ 3,504,390

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CITY INDEBTEDNESS

City indebtedness at December 31, 2020 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%	\$ 280,000
GO Improvement Bonds, Series 2013A	2,590,000	2034	2.00-3.50%	1,800,000
GO Equipment Bonds, Series 2013B	615,000	2023	0.70-1.90%	220,000
GO Improvement Bonds, Series 2017C (2009A Ref)	830,000	2025	2.00%	600,000
GO Improvement Bonds, Series 2017A	2,870,000	2039	3.00-3.25%	2,750,000
GO Improvement Series 2018A	1,015,000	2026	3.00-3.40%	885,000
GO Improvement Bonds, Series 2020B	3,135,000	2041	2.25-3.00%	3,135,000
GO Improvement Bonds, Series 2020C	345,000	2041	2.00-3.00%	345,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,600,000	2034	1.15-2.00%	1,600,000
GO Refunding Bonds, Series 2020D (2016 Lease Refund)	1,680,000	2037	1.15-2.00%	1,680,000
Total Governmental Activities - G.O. Bonds	<u>15,660,000</u>			<u>13,295,000</u>
Business-Type Activities:				
GO Refunding Bonds, Series 2012A	660,000	2023	0.55-2.20%	145,000
GO Improvement Bonds, Series 2013A	1,810,000	2034	2.00-3.50%	1,345,000
GO Improvement Bonds, Series 2017A	1,150,000	2039	3.00-3.25%	1,065,000
GO Equipment - Telecom Upgrade	855,000	2027	3.00%	685,000
GO Equipment Certificates, Series 2018A	1,095,000	2038	3.00-3.40%	1,010,000
GO Improvement Series 2020B	1,105,000	2041	2.25-3.00%	1,105,000
GO Refunding Bonds, Series 2020D (2011A Refund)	1,805,000	2029	1.15-2.00%	1,805,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,230,000	2034	1.15-2.00%	1,230,000
Total Business-Type Activities - G.O. Bonds	<u>9,710,000</u>			<u>8,390,000</u>
Total General Obligation Bonds	<u>\$ 25,370,000</u>			<u>\$ 21,685,000</u>
Capital Lease Obligations:				
Governmental Activities:				
Lease Purchase- Emergency Services Facility	\$ 2,034,000	2037	2.79%	\$ 1,801,000
Lease Purchase Obligations	<u>\$ 2,034,000</u>			<u>\$ 1,801,000</u>
Notes Payable from Direct Borrowings:				
Governmental Activities:				
Economic Development - Fulda Area Credit Union	\$ 442,098	2021	4.40%	\$ 201,103
Total Governmental Activities	<u>442,098</u>			<u>201,103</u>
Business-Type Activities:				
River Bluff Townhomes - Bank of the West	488,847	2031	2.01%	245,143
River Bluff Townhomes - MHFA	353,305	2031	0.00%	353,305
River Bluff Townhomes - GMHF	180,000	2031	0.00%	146,142
Water Purchase - Red Rock Rural Water System	230,000	2023	0.00%	61,331
CWRF Wastewater Treatment Plant (direct borrowing)	9,624,333	2038	1.00%	7,414,343
Total Business-Type Activities	<u>10,876,485</u>			<u>8,220,264</u>
Total Note Payable from Direct Borrowings	<u>\$ 11,318,583</u>			<u>\$ 8,421,367</u>
General Obligation Revenue Bonds and Direct Borrowing:				
Business-Type Activities:				
GO Water and Sewer Revenue Bonds, 2011A - Water	\$ 3,090,000	2029	1.00-4.00%	\$ 2,100,000
GO Revenue Hospital Bonds, Series 2014A	5,600,000	2034	1.00%	4,505,000
Communication System Annual Appropriation Refunding Bonds, Series 2020A	7,820,000	2032	1.95%	7,820,000
Total Business-Type Activities Revenue Bonds	<u>\$ 16,510,000</u>			<u>\$ 14,425,000</u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2020:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 7,225,000	\$ 6,760,000	\$ 690,000	\$ 13,295,000	\$ 705,000
Bond Subtotal	7,225,000	6,760,000	690,000	13,295,000	705,000
Bond Premium	140,725	282,619	21,253	402,091	-
Net Bond Subtotal	7,365,725	7,042,619	711,253	13,697,091	705,000
Capital Lease Obligations	1,883,000	-	82,000	1,801,000	84,000
Note Payable from Direct Borrowings	360,311	-	159,208	201,103	201,103
Compensated Absences	233,820	255,998	233,820	255,998	-
Total Governmental Activities	9,842,856	7,298,617	1,186,281	15,955,192	990,103
Business-Type Activities:					
General Obligation Bonds	4,575,000	4,140,000	325,000	8,390,000	340,000
General Obligation Revenue Bonds	15,225,000	7,820,000	8,620,000	14,425,000	1,021,000
Bond Subtotal	19,800,000	11,960,000	8,945,000	22,815,000	1,361,000
Bond Premium	198,715	202,839	19,653	381,901	-
Bond Discount	(67,627)	-	(2,090)	(65,537)	-
Net Bond Subtotal	19,931,088	12,162,839	8,962,563	23,131,364	1,361,000
Note Payable from Direct Borrowings	6,614,645	2,264,020	658,401	8,220,264	669,005
Compensated Absences	375,795	421,394	375,795	421,394	-
Total Business-Type Activities	26,921,528	14,848,253	9,996,759	31,773,022	2,030,005
Total Debt	\$ 36,764,384	\$ 22,146,870	\$ 11,183,040	\$ 47,728,214	\$ 3,020,108

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							
	Bonds		Notes from Direct Borrowings		Lease Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 705,000	\$ 316,718	\$ 201,103	\$ 3,946	\$ 84,000	\$ 49,076	\$ 990,103	\$ 369,740
2022	1,060,000	299,900	-	-	87,000	46,691	1,147,000	346,591
2023	1,100,000	274,015	-	-	89,000	44,235	1,189,000	318,250
2024	950,000	249,067	-	-	92,000	41,711	1,042,000	290,778
2025	985,000	224,999	-	-	94,000	39,116	1,079,000	264,115
2026-2030	3,805,000	806,350	-	-	511,000	154,161	4,316,000	960,511
2031-2035	2,975,000	388,269	-	-	586,000	77,757	3,561,000	466,026
2036-2040	1,565,000	104,159	-	-	258,000	7,254	1,823,000	111,413
2041	150,000	1,894	-	-	-	-	150,000	1,894
Totals	\$ 13,295,000	\$ 2,665,371	\$ 201,103	\$ 3,946	\$ 1,801,000	\$ 460,001	\$ 15,297,103	\$ 3,129,318

Year Ending December 31,	Business-Type Activities Long-Term Debt					
	Bonds		Notes from Direct Borrowings		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,361,000	\$ 561,038	\$ 669,005	\$ 88,801	\$ 2,030,005	\$ 649,839
2022	1,711,000	546,178	678,411	82,135	2,389,411	628,313
2023	1,756,000	505,888	678,158	75,371	2,434,158	581,259
2024	1,749,000	464,294	672,248	68,529	2,421,248	532,823
2025	1,796,000	421,242	681,679	61,588	2,477,679	482,830
2026-2030	8,633,000	1,407,777	2,745,171	204,420	11,378,171	1,612,197
2031-2035	4,999,665	446,857	2,090,249	97,113	7,089,914	543,970
2036-2040	740,000	50,189	5,343	19,810	745,343	69,999
2041	69,335	873	-	-	69,335	873
Totals	\$ 22,815,000	\$ 4,404,336	\$ 8,220,264	\$ 697,767	\$ 31,035,264	\$ 5,102,103

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2020, including interest of \$8,231,421 are as follows:

Year Ending December 31,	Amount
2021	\$ 4,039,687
2022	4,511,315
2023	4,522,667
2024	4,286,849
2025	4,303,624
2026-2030	18,266,879
2031-2035	11,660,910
2036-2040	2,749,755
2041	222,102
Total	\$ 54,563,788

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.

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 2015 to September 2034 with interest paid semi-annually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds are payable from the gross revenues of the Hospital. The bonds are payable from the "Gross Revenues" of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service. Under the Series 2014A bonds, the Hospital must meet certain operational and performance covenants and is limited in the amount of additional debt that can be incurred. Management believes the Hospital was in compliance with all debt covenants as of April 30, 2020.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 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 obtained a loan from 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 wastewater treatment plant rehabilitation and expansion. The total available loan is \$9,624,333. At December 31, 2020, the City had drawn \$7,414,343 of the total available loan.

In 2020, the City issued \$7,820,000 in Communication System Annual Appropriation Refunding Bonds, Series 2020A for a current refunding of the Series 2012B Community System Annual Appropriation Refunding Bonds maturing in 2032. The total cash flows savings to the City attributable to the refunding of these bonds is \$635,459 with a net present value of approximately \$566,552.

In 2020, the City also issued \$4,240,000 in General Obligation Refunding Bonds, Series 2020B for the purpose of financing various public improvements within the City. Principal payments are due annually commencing February 2022 to February 2041 with interest ranging from 2.25% to 3.00%, to be paid semi-annually.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

In 2020, the City issued \$345,000 in General Obligation Improvement Bonds, Series 2020C for the purpose of financing the construction of the 2020 Street Improvement Project. Principal payments are due annually commencing February 2022 to February 2041 with interest ranging from 2.00% to 3.00%, to be paid semi-annually.

In 2020, the City also issued \$6,315,000 in General Obligation Refunding Bonds, Series 2020D for a current refunding of the Series 2011A General Obligation Water and Sewer Revenue Bonds, 2013A General Obligation Improvement Bonds, and the Lease with Option to Purchase Agreement of 2016. The proceeds from the 2020D Bonds were paid to the City upon issuance and the City reported the proceeds as restricted cash and investments at December 31, 2020. These proceeds will be used to pay off the refunded debt on the February 1, 2021 call date. The total cash flows savings to the City attributable to the refunding of these bonds is \$740,172 with a net present value of approximately \$695,023.

The City's outstanding notes from direct borrowings related to governmental activities of \$201,103 and business-type activities of \$805,921 contain a provision that in event of default, outstanding amounts become immediately due if the City is unable to make payment. These outstanding notes are secured by the related properties. The outstanding notes from direct borrowings in the business-type activities related to River Bluff Townhomes for \$744,590. These notes contain a provision that an event of default exists if the net revenues from River Bluff Townhomes are insufficient to pay the related debt service, or if the City ceases to own and operate River Bluff Townhomes for market-rate and low-income housing. If either situation exists, then the outstanding amounts are due immediately.

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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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 65. For members hired on or after July, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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 service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January Beginning in 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 2020 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, 2020 were \$758,188. The City contributions were equal to the required contributions as set by state statute.

2. **Police and Fire Fund Contributions**

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$116,514. 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, 2020, the City reported a liability of \$7,805,506 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 2020. The State of Minnesota is considered a nonemployer 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 \$242,109. The net pension liability was measured as of June 30, 2020 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0353 percent at the end of the measurement period and 0.0351 percent for the beginning of the period.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

City's proportionate share of net pension liability	\$ 7,805,506
State of Minnesota's proportionate share of net pension liability associated with the City	<u>242,109</u>
Total	<u><u>\$ 8,047,615</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$803,074 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$18,925 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.

At December 31, 2020, 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	\$ 176,963	\$ 8,007
Changes in Actuarial Assumptions	-	525,632
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	540,096
Changes in Proportion	222,457	61,922
Contributions Paid to PERA Subsequent to the Measurement Date	<u>558,196</u>	<u>-</u>
Total	<u><u>\$ 957,616</u></u>	<u><u>\$ 1,135,657</u></u>

\$558,196 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, 2021. 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>
2021	\$ (328,020)
2022	(440,055)
2023	(28,466)
2024	60,304

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2020 the City reported a liability of \$723,641 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0549% at the end of the measurement period and 0.0571% for the beginning of the period.

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$84,804 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$5,245 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$17,050 for the year ended December 31, 2020 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.

City's proportionate share of net pension liability	\$ 723,641
State of Minnesota's proportionate share of net pension liability associated with the City	<u>17,050</u>
Total	<u><u>\$ 740,691</u></u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 31,974	\$ 34,365
Changes in Actuarial Assumptions	242,507	451,309
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,980	-
Changes in Proportion	23,025	35,063
Contributions Paid to PERA Subsequent to the Measurement Date	55,983	-
Total	<u>\$ 375,469</u>	<u>\$ 520,737</u>

\$55,983 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, 2021. 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>
2021	\$ (51,902)
2022	(201,244)
2023	28,232
2024	29,441
2025	(5,778)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>
Inflation	2.25 percent per year	2.50 percent per year
Active Member Payroll Growth	3.00 percent per year	3.25 percent per year
Investment Rate of Return	7.50 percent	7.50 percent

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended by the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Changes in Actuarial Assumptions (Continued)

- The mortality improvement scale was changed from MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

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 Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	<u>100%</u>	

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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.

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	\$ 13,461,702	\$ 7,805,506	\$ 4,374,655

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	\$ 1,442,320	\$ 723,641	\$ 129,059

H. Aggregate Pension Costs

At December 31, 2020, 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	\$ 7,805,506	\$ 723,641	\$ -	\$ 8,529,147
Net Pension Asset	-	-	(550,812)	(550,812)
Deferred Outflows of Resources	957,616	375,469	14,327	1,347,412
Deferred Inflows of Resources	1,135,657	520,737	94,495	1,750,889
Pension Expense	803,074	84,804	75,346	963,224

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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 2020 were:

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

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2020 as follows:

Other Governmental Funds:	
4th Ave Improvement Bond Fund	\$ (37,652)
2007 Street Improvement Bond Fund	(177,781)
2003 Improvement Bond Fund	(220,940)
Proprietary Funds:	
Telecom	(7,383,056)
River Bluff Townhomes	(72,419)

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.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund at December 31, 2020.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund	\$ 3,889,949	\$ 3,986,396	\$ 96,447

The excess over budget in the General Fund was funded by existing fund balance.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due to/from Other Funds

Individual fund receivable and payable balances at December 31, 2020 are as follows:

<u>Fund</u>	<u>Interfund Receivables Due from Other Funds</u>	<u>Interfund Payables Due to Other Funds</u>	<u>Description</u>
General Fund	\$ 436,373	\$ -	Eliminate Deficit Cash
Nonmajor Governmental Funds	-	436,373	Eliminate Deficit Cash
Proprietary Funds:			
Electric Fund	1,206,279	-	Eliminate Deficit Cash
Telecom Fund	-	1,206,279	Eliminate Deficit Cash
Total Due To/From	<u>\$ 1,642,652</u>	<u>\$ 1,642,652</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, 2020**

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

B. Transfers

Transfers between funds during 2020 are as follows:

	Transfer In	Transfer Out	Description
Major Governmental Funds:			
General Fund	\$ 245,000	\$ -	Annual Contribution
General Fund	-	27,641	Transfer of Debt Payment
General Fund	-	76,659	Funding for Arena Project
General Fund	-	4,174	Funding for payroll in Telecom
General Fund	4,500	-	Transfer for City Wide Network
Nonmajor Governmental Funds:			
Capital Projects Funds			
Capital Projects Fund	55,000	-	Transfer of Debt Payment
2017 Street Capital Project Fund	69,520	-	Transfer of Debt Payment
Debt Service Funds:			
GO Special Assessment Bond	27,641	-	Transfer of Debt Payment
2009 Street Improvement Bond Fund	37,164	-	Transfer of Debt Payment
Major Enterprise Funds:			
Water Utility	-	750	Transfer for City Wide Network
Water Utility	-	72,313	Transfer of Debt Payment
Water Utility	-	10,000	Meter reading equipment
Wastewater Utility	-	10,000	Meter reading equipment
Wastewater Utility	-	750	Transfer for City Wide Network
Wastewater Utility	-	34,371	Transfer of Debt Payment
Electric Utility	-	750	Transfer for City Wide Network
Electric Utility	-	200,000	Annual Contribution
Electric Utility	20,000	-	Meter reading equipment
Liquor	-	100,000	Annual Contribution
Telecom Fund	-	2,250	Transfer for City Wide Network
Telecom Fund	4,174	-	Funding for payroll in Telecom
Nonmajor Enterprise Funds			
Arena	76,659	-	Funding for Arena Project Debt
Total	<u>\$ 539,658</u>	<u>\$ 539,658</u>	

NOTE 9 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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, 2020, 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 Windom 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 \$2,800 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 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 \$2,800 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.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

B Benefits Provided (Continued)

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

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are 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
=	<u>Total Contribution Required</u>

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$49,930 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2020. 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, 2020 was \$-0-.

D. Pension Costs

At December 31, 2020, the City reported an asset of \$550,812 for the Association's net pension asset/liability. The net pension asset/liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$75,346 for the year ended December 31, 2020. At December 31, 2020, 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	\$ -	\$ 40,391
Changes in Actuarial Assumptions	14,327	4,893
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	49,211
Changes in Proportion	-	-
Contributions Paid to PERA Subsequent to the Measurement Date	-	-
Total	<u>\$ 14,327</u>	<u>\$ 94,495</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, 2021. 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
2021	\$ (21,995)
2022	(18,790)
2023	2,565
2024	(37,949)
2025	(6,538)
Thereafter	2,539

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2020, 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	6.25%
Investment Rate of Return	6.25%
Inflation rate	2.75%
Age of Service Retirement	50

The following changes were reflected the valuation performed for the Association for the City's year ended December 31, 2020:in actuarial assumptions:

- The discount rate was changed from 6.00% to 6.25%
- The inflation rate was changed from 2.50% to 2.75%

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, 2020 are summarized in the following table:

Asset Class	Allocation at December 31, 2019	Long-Term Expected Real Rate of Return
Cash and Equivalents	16.96%	0.74%
Fixed Income	7.19%	2.01%
Domestic Equity	60.14%	4.76%
International Equity	15.35%	5.41%
Real Estate and Alternatives	0.36%	4.53%
Total Portfolio	100.00%	
Total Portfolio Expected Real Rate of Return		6.25%

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.25 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.

G. Pension Liability Sensitivity

The following presents the City of Windom's proportionate share of the net pension liability of the Association, calculated using the discount rate of 6.25 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 (5.25 percent) or one percentage point higher (7.25 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Net Pension Liability	\$ (527,343)	\$ (550,812)	\$ (573,527)
Discount Rate	5.25%	6.25%	7.25%

H. Plan's Fiduciary Net Position

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

	December 31, 2019 Measurement Date	December 31, 2018 Measurement Date
Total Pension Liability		
Service Cost	\$ 36,666	\$ 32,592
Interest	37,162	48,213
Change in Assumptions	(5,407)	14,428
Benefit Payments	(161,683)	(277,650)
Differences Between Expected and Actual Experience	-	(2,014)
Changes of Benefit Terms	55,799	-
Net Change in Total Pension Liability	(37,463)	(184,431)
Total Pension Liability - Beginning	663,548	847,979
Total Pension Liability - Ending (a)	626,085	663,548
Plan Fiduciary Net Position		
Municipal Contributions	-	-
State Contributions	50,148	52,244
Donations and Other Income	-	39,953
Net Investment Income	214,558	(121,123)
Benefit Payments	(161,683)	(277,650)
Administrative Expenses	(5,350)	(4,350)
Net Change in Fiduciary Net Position	97,673	(310,926)
Fiduciary Net Position - Beginning	1,079,224	1,390,150
Fiduciary Net Position - Ending (b)	1,176,897	1,079,224
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (550,812)	\$ (415,676)

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

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 that can be obtained from President of the Relief Association at 444 9th Street Windom, MN 56101.

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 insurance to eligible employees and their spouses through the City's health insurance plan. There are 44 active participants and 4 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, 2019, and was determined by an actuarial valuation as of December 31, 2019 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	2.50%
Discount Rate	2.75%
Medical Trend Rates	6.20% Decreasing Over Several Years to an Ultimate Rate of 4.0% in FY2075 and Later Years

Mortality Rates were based on the RP-2014 mortality tables with projected monthly improvements based on Scale MP-2018, and other adjustments.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

The discount rate used to measure the total OPEB liability was 2.75%. 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, 2020**

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 discount rate was changed from 3.71% to 2.75%.
- The inflation rate was changed from 2.75% to 2.5 %.
- The morality table was updated from the RP-2014 White Collar Table to the rates used in the 7/1/19 PERA General Employees and Police & Fire Retirement Plan actuarial valuations.

D. Changes in the total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2019	\$ 481,774
Changes for the Year:	
Service Cost	43,988
Interest Cost	18,936
Difference between expected and actual experience	106,848
Change of Assumptions	41,593
Benefit Payments	(30,747)
Net Change in Total OPEB Liability	180,618
Balances at December 31, 2020	\$ 662,392

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 (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ 720,532	\$ 662,392	\$ 609,085

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 (5.2% decreasing over several years to an ultimate rate of 3.4% in FY2075 and later years) or 1% higher (7.2% decreasing to 4.4% 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	\$ 583,164	\$ 662,392	\$ 758,217

For the year ended December 31, 2020, the City recognized OPEB Expense of \$211,366. At December 31, 2020, the City reported no deferred inflows of resources, and \$41,304 in deferred outflows of resources related to benefit payments after the measurement date.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the City paid excess tax increment in the amount of \$554,397. No other commitments were made by the City as part of these agreements.

NOTE 13 FUND BALANCE

At December 31, 2020, the City had various fund balances restricted, or assigned through legal restriction and City Council authorization. Major fund balance appropriations at December 31, 2020 are shown on the various balance sheets as segregations of fund balance. The fund balances are as follows:

	General Fund	Economic Development Fund	2020 Street Capital Project Fund	Other Governmental Funds	Governmental Funds Total
Nonspendable:					
Inventory	\$ 37,124	\$ 205,700	\$ -	\$ -	\$ 242,824
Total Nonspendable	37,124	205,700	-	-	242,824
Committed:					
Donations for Fire, Well, and Park	56,315	-	-	-	56,315
Restricted:					
Debt Service	-	-	-	3,920,135	3,920,135
Economic Development	-	2,264,759	-	-	2,264,759
Capital Projects	-	-	666,896	648,819	1,315,715
Total Restricted	-	2,264,759	666,896	4,568,954	7,500,609
Assigned:					
Ambulance	-	-	-	1,772,601	1,772,601
Airport	162,155	-	-	-	162,155
Library	222,442	-	-	-	222,442
Pool	74,761	-	-	-	74,761
Police	3,982	-	-	-	3,982
Capital Projects	485,824	-	-	-	485,824
Sick Pay at Retirement	229,810	-	-	-	229,810
Total Assigned	1,178,974	-	-	1,772,601	2,951,575
Unassigned	2,671,089	-	-	(436,373)	2,234,716
Total Fund Balance	<u>\$ 3,943,502</u>	<u>\$ 2,470,459</u>	<u>\$ 666,896</u>	<u>\$ 5,905,182</u>	<u>\$ 12,986,039</u>

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 \$301,758 at December 31, 2020.

D. Malpractice Claims

The Hospital's malpractice insurance is a claims made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

E. Health Care Compliance

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity had increased with respect to investigations and allegations concerning possible violations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues for patient services. Management believes the Hospital is in substantial compliance with current laws and regulations.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Coronavirus Pandemic

In 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Hospital, for the year-ended April 30, 2020, the estimated combined impact of COVID-19 for lost revenue and increased expenses totaled approximately \$600,000. COVID-19 will continue to impact parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Hospital is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

The Hospital applied for and received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) of approximately \$1,929,500 with a five-year term at an interest rate of 1%. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain criteria like maintaining full time equivalent employees. The amount of loan forgiveness has yet to be determined.

The U.S. Department of Health and Human Services (HHS) has also made available emergency relief grant funds to health care providers. Total grant funds approved and available to the Hospital from these grants is approximately \$3,889,764. The HHS grants funds are subject to certain restrictions on eligible expenses or uses, and reporting requirements. In April 2020, the Hospital received approximately \$394,000 of the \$3,889,764 from HHS.

G. Operating Leases

The Hospital has various equipment leases and rental agreements that are accounted for as operating leases. Future minimum lease payments for the operating leases by year are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2021	\$ 293,580
2022	293,580
2023	293,580
2024	122,325
Total Minimum Lease Payment	<u>\$ 1,003,065</u>

Total rent expense associated with the operating leases for the years ended April 30, 2020 was approximately \$496,000.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

H. Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

NOTE 15 NET PATIENT SERVICE REVENUE AND RECEIVABLES

The Hospital has agreements with third-party payors which provide for payments to the organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

The Hospital has elected the Critical Access Hospital (CAH) designation. As a CAH, the Hospital is reimbursed for inpatient, outpatient, and swing bed services for Medicare patients on a reasonable cost basis. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed according to a prospective DRG payment system. Outpatient Medicaid services are reimbursed on reasonable cost.

Revenue from the Medicare programs accounted for approximately 49% for the year ended 2020, and revenue from the Medicaid programs accounted for approximately 9% for the year ended 2020, of the Hospital's net patient revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2020 net patient service revenue increased approximately \$296,000 due to removal of allowance previously estimated that are no longer considered necessary as a result of changes in estimates and years that are no longer subject to audits, reviews, and investigations.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 15 NET PATIENT SERVICE REVENUE AND RECEIVABLES (CONTINUED)

The following is a reconciliation of gross patient service revenue to net patient service revenue:

	2020
Gross Patient Service Revenue	\$ 35,112,979
Adjustments and Discounts:	
Medicare	(8,272,353)
Medicaid	(3,256,018)
Other	(3,287,003)
Provisions for Bad Debt	(422,280)
Total Adjustments and Discounts	(15,237,654)
Net Patient Service Revenue	\$ 19,875,325

Patient accounts receivable reported as current assets by the Hospital at April 30, 2020 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	\$ 1,702,428
Receivable from Medicare	381,239
Receivable from Medicaid	127,846
Total Patient Accounts Receivable	2,211,513
Less: Allowance for Uncollectible Amounts	(379,000)
Net Patient Accounts Receivable	\$ 1,832,513

NOTE 16 MANAGEMENT AGREEMENTS

The Hospital has a management agreement with Sanford Health Services (Sanford). This agreement gives Sanford, through the Hospital's administrator, full authority to implement and fulfill the policy decisions of the Hospital's board of directors. Either party may terminate this agreement with proper notice. Total management fees, including the administrator's salary and benefits, were \$323,084 for the year ended April 30, 2020.

The Hospital also purchases certain services, supplies and other items through Sanford's network. Amount due to Sanford was \$114,000 at April 30, 2020.

The Hospital entered into a management agreement with Healogics in fiscal year 2018 to begin providing wound care services. The Hospital provides space and employee staffing, and Healogics provides the necessary equipment. The Hospital pays management fees to Healogics in the amount of \$15,000 per month for five years from the commencement of the agreement.

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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, 2020**

	<u>Measurement Date December 31, 2019</u>	<u>Measurement Date December 31, 2018</u>	<u>Measurement Date December 31, 2017</u>
Total OPEB Liability			
Service Cost	\$ 43,988	\$ 46,569	\$ 25,246
Interest Cost	18,936	18,144	14,108
Difference between expected and actual experience	106,848	-	-
Changes of Assumptions	41,593	(49,273)	14,751
Benefit Payments	<u>(30,747)</u>	<u>(42,141)</u>	<u>(29,935)</u>
Net Change in Total OPEB Liability	180,618	(26,701)	24,170
Total OPEB Liability - Beginning	<u>481,774</u>	<u>508,475</u>	<u>360,022</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 662,392</u></u>	<u><u>\$ 481,774</u></u>	<u><u>\$ 384,192</u></u>
Covered-Employee Payroll	\$ 2,995,324	\$ 2,915,407	\$ 9,238,069
Agency's OPEB Liability as a Percentage of Covered Payroll	22.11%	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 SIX FISCAL YEARS**

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City - GERS						
City's Proportion of the Net Pension Liability (Asset)	0.0353%	0.0351%	0.0359%	0.0366%	0.0370%	0.0450%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,805,506	\$ 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	\$ 242,109	\$ 242,689	\$ 146,437	\$ 29,380	\$ 39,236	N/A
City's Covered Payroll	\$ 10,039,460	\$ 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	77.75%	76.38%	91.35%	115.99%	99.21%	88.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	80.20%	75.90%	68.90%	68.90%	78.20%
PEPFF						
City's Proportion of the Net Pension Liability (Asset)	0.0549%	0.0571%	0.0556%	0.0560%	0.0547%	5.5000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 723,641	\$ 607,890	\$ 587,634	\$ 756,067	\$ 2,207,246	\$ 624,929
State's Proportionate Share of the Net Pension Liability Associated with the City of Windom	\$ 17,050	\$ 242,689	\$ 146,437	\$ 29,380	\$ 39,236	N/A
City's Covered-Employee Payroll	\$ 619,078	\$ 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	116.89%	101.02%	100.35%	132.56%	418.87%	138.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.20%	89.30%	88.84%	63.90%	63.90%	63.90%
	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2016	Measurement Date December 31, 2015
Fire Relief Association						
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (550,812)	\$ (415,676)	\$ (542,171)	\$ (360,080)	\$ (360,080)	\$ (182,216)
City's Covered Payroll	N/A	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	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	187.98%	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 SIX YEARS**

	2020	2019	2018	2017	2016	2015
City - GERP						
Contractually Required Contribution	\$ 758,188	\$ 754,870	\$ 668,485	\$ 629,920	\$ 603,670	\$ 597,569
Contributions in Relation to the Contractually Required Contribution	(758,188)	(754,870)	(668,485)	(629,920)	(603,670)	(597,569)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 10,109,173	10,064,933	8,913,133	8,398,933	8,048,933	7,967,587
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
PEPFF						
Contractually Required Contribution	\$ 116,514	\$ 106,463	\$ 94,866	\$ 92,401	\$ 85,366	\$ 82,258
Contributions in Relation to the Contractually Required Contribution	(116,514)	(106,463)	(94,866)	(92,401)	(85,366)	(82,258)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	658,271	628,100	585,592	570,375	526,951	507,766
Contributions as a Percentage of Covered Employee Payroll	17.70%	16.95%	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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	-	-	-	-	-	-
Contributions as a Percentage of Covered Employee Payroll	N/A	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, 2019 Measurement Date	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	\$ 36,666	\$ 32,592	\$ 29,294	\$ 30,656	\$ 28,015
Interest	37,162	48,213	57,717	53,502	50,008
Change in Assumptions	(5,407)	14,428	2,231	2,182	-
Benefit Payments	(161,683)	(277,650)	(52,250)	(53,800)	-
Differences Between Expected and Actual Experience	-	(2,014)	(62,246)	-	-
Changes of Benefit Terms	55,799	-	21,337	-	-
Net Change in Total Pension Liability	(37,463)	(184,431)	(3,917)	32,540	78,023
Total Pension Liability - Beginning	663,548	847,979	851,896	819,356	741,333
Total Pension Liability - Ending (a)	626,085	663,548	847,979	851,896	819,356
Plan Fiduciary Net Position					
Municipal Contributions	-	-	-	-	5,000
State Contributions	50,148	52,244	49,576	49,132	49,942
Donations and Other Income	-	39,953	-	-	-
Net Investment Income	214,558	(121,123)	187,248	87,136	(34,324)
Benefit Payments	(161,683)	(277,650)	(58,650)	(57,688)	(1,051)
Administrative Expenses	(5,350)	(4,350)	-	-	-
Net Change in Fiduciary Net Position	97,673	(310,926)	178,174	78,580	19,567
Fiduciary Net Position - Beginning	1,079,224	1,390,150	1,211,976	1,133,396	1,113,829
Fiduciary Net Position - Ending (b)	1,176,897	1,079,224	1,390,150	1,211,976	1,133,396
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (550,812)	\$ (415,676)	\$ (542,171)	\$ (360,080)	\$ (314,040)
Fiduciary Net Position as a Percentage of the Total Pension Liability	187.98%	162.64%	163.94%	142.27%	138.33%
Covered Payroll	N/A	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	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, 2020**

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

2020

Changes in Actuarial Assumptions

- The price inflation assumption decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for year 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the PUB-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

A. General Employees Fund (Continued)

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.

2015

Changes in Actuarial Assumptions

- 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 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

B. Police and Fire Fund

2020

- The morality projection scale was changed from MP-2018 to MP-2019.

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, 2020**

**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 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%.
- 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, 2020**

**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:

2020

- The discount rate was changed from 3.71% to 2.75%.
- The inflation rate was changed from 2.75% to 2.50%.

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:

2020

- The discount rate was changed from 6.00% to 6.25%.
- The inflation rate was changed from 2.50% to 2.75%.

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%.

SUPPLEMENTARY INFORMATION

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**COMBINING NONMAJOR FUND
FINANCIAL STATEMENTS**

**CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2020**

	Special Revenue Fund	Capital Projects Funds		Debt Service Fund
	Ambulance Fund	Capital Project Fund	2017 Street Capital Project Fund	4th Ave Improvement Bond Fund
ASSETS				
Cash and Investments	\$ 1,344,077	\$ 40,959	\$ 607,860	\$ -
Restricted Cash and Investments	-	1,717,027	-	-
Accounts Receivable	449,915	-	-	-
Special Assessments Receivable	-	-	371,126	-
Total Assets	\$ 1,793,992	\$ 1,757,986	\$ 978,986	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts and Contracts Payable	\$ 17,525	\$ -	\$ -	\$ -
Other Accrued Liabilities	3,866	-	-	-
Due to Other Funds	-	-	-	37,652
Total Liabilities	21,391	-	-	37,652
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	371,126	-
Total Deferred Outflows of Resources	-	-	371,126	-
FUND BALANCE (DEFICIT)				
Restricted	-	1,757,986	607,860	-
Assigned	1,772,601	-	-	-
Unassigned	-	-	-	(37,652)
Total Fund Balance (Deficit)	1,772,601	1,757,986	607,860	(37,652)
Total Liabilities and Fund Balance	\$ 1,793,992	\$ 1,757,986	\$ 978,986	\$ -

**CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020**

Debt Service Funds					
2013 Street Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	Total
\$ 433,811	\$ -	\$ 67,081	\$ 45,030	\$ -	\$ 2,538,818
1,655,026	-	-	-	-	3,372,053
-	-	-	-	-	449,915
468,518	-	55,419	38,584	-	933,647
<u>\$ 2,557,355</u>	<u>\$ -</u>	<u>\$ 122,500</u>	<u>\$ 83,614</u>	<u>\$ -</u>	<u>\$ 7,294,433</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,525
-	-	-	-	-	3,866
-	177,781	-	-	220,940	436,373
-	177,781	-	-	220,940	457,764
468,518	-	55,419	36,424	-	931,487
468,518	-	55,419	36,424	-	931,487
2,088,837	-	67,081	47,190	-	4,568,954
-	-	-	-	-	1,772,601
-	(177,781)	-	-	(220,940)	(436,373)
<u>2,088,837</u>	<u>(177,781)</u>	<u>67,081</u>	<u>47,190</u>	<u>(220,940)</u>	<u>5,905,182</u>
<u>\$ 2,557,355</u>	<u>\$ -</u>	<u>\$ 122,500</u>	<u>\$ 83,614</u>	<u>\$ -</u>	<u>\$ 7,294,433</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020**

	Special	Capital Project Funds		Debt
	Revenue Fund	Capital	2017 Street	Service Fund
	Ambulance Fund	Project Fund	Capital Project Fund	4th Ave Improvement Bond Fund
REVENUE				
General Property Taxes	\$ -	\$ 68,392	\$ 83,248	\$ 40,501
Intergovernmental Special				
Assessments	-	-	48,845	-
Charges for Services	812,442	-	-	-
Interest Income	8,649	27	1,406	-
Refunds and Reimbursements	12,190	-	-	-
Grants and Contributions	20,894	-	-	-
Miscellaneous	-	1,516	-	-
Total Revenue	<u>854,175</u>	<u>69,935</u>	<u>133,499</u>	<u>40,501</u>
EXPENDITURES				
Current:				
Public Safety	465,890	-	-	-
Public Works	-	-	1,650	854
Capital Outlay:				
Public Safety	136,295	-	-	-
Public Works	-	3,000	-	-
Capital Leases:				
Principal	-	82,000	-	-
Interest and Fiscal Charges	-	54,517	-	-
Debt Service:				
Principal	-	-	120,000	30,800
Interest and Fiscal Charges	-	28,256	86,395	801
Total Expenditures	<u>602,185</u>	<u>167,773</u>	<u>208,045</u>	<u>32,455</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	251,990	(97,838)	(74,546)	8,046
OTHER FINANCING SOURCES (USES)				
Transfer In	-	55,000	69,520	-
Issuance of Refunding Bonds	-	1,680,000	-	-
Proceeds from Sale of Capital Assets	20,000	-	-	-
Bond Premium	-	65,256	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>1,800,256</u>	<u>69,520</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	271,990	1,702,418	(5,026)	8,046
Fund Balance (Deficit) - Beginning of Year	<u>1,500,611</u>	<u>55,568</u>	<u>612,886</u>	<u>(45,698)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,772,601</u>	<u>\$ 1,757,986</u>	<u>\$ 607,860</u>	<u>\$ (37,652)</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Debt Service Funds					
2013 Street Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	Total
\$ 97,328	\$ 79,737	\$ 51,020	\$ 33,969	\$ -	\$ 454,195
74,064	-	16,793	-	-	139,702
-	-	-	-	-	812,442
26	-	-	-	-	10,108
-	-	-	-	-	12,190
-	-	-	-	-	20,894
-	-	-	-	-	1,516
<u>171,418</u>	<u>79,737</u>	<u>67,813</u>	<u>33,969</u>	<u>-</u>	<u>1,451,047</u>
-	-	-	-	-	465,890
1,234	-	3,357	576	380	8,051
-	-	-	-	-	136,295
-	-	-	-	-	3,000
-	-	-	-	-	82,000
-	-	-	-	-	54,517
135,000	80,000	115,000	59,200	-	540,000
75,597	5,460	13,150	3,264	-	212,923
<u>211,831</u>	<u>85,460</u>	<u>131,507</u>	<u>63,040</u>	<u>380</u>	<u>1,502,676</u>
(40,413)	(5,723)	(63,694)	(29,071)	(380)	(51,629)
-	-	37,164	27,641	-	189,325
1,600,000	-	-	-	-	3,280,000
-	-	-	-	-	20,000
81,009	-	-	-	-	146,265
<u>1,681,009</u>	<u>-</u>	<u>37,164</u>	<u>27,641</u>	<u>-</u>	<u>3,635,590</u>
1,640,596	(5,723)	(26,530)	(1,430)	(380)	3,583,961
448,241	(172,058)	93,611	48,620	(220,560)	2,321,221
<u>\$ 2,088,837</u>	<u>\$ (177,781)</u>	<u>\$ 67,081</u>	<u>\$ 47,190</u>	<u>\$ (220,940)</u>	<u>\$ 5,905,182</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 207,994	\$ 397,846	\$ 153,537	\$ 759,377
Accounts Receivable	2,795	32,633	325	35,753
Total Current Assets	<u>210,789</u>	<u>430,479</u>	<u>153,862</u>	<u>795,130</u>
Capital Assets:				
Buildings and Improvements	2,531,899	2,000,036	1,123,288	5,655,223
Machinery and Equipment	329,635	288,849	-	618,484
Total Capital Assets	<u>2,861,534</u>	<u>2,288,885</u>	<u>1,123,288</u>	<u>6,273,707</u>
Less: Accumulated Depreciation	(1,359,603)	(1,318,110)	(594,225)	(3,271,938)
Net Capital Assets	<u>1,501,931</u>	<u>970,775</u>	<u>529,063</u>	<u>3,001,769</u>
Total Assets	<u>1,712,720</u>	<u>1,401,254</u>	<u>682,925</u>	<u>3,796,899</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	6,954	6,561	-	13,515
Other Postemployment Benefits Related	1,986	2,383	-	4,369
Total Deferred Outflows of Resources	<u>8,940</u>	<u>8,944</u>	<u>-</u>	<u>17,884</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	3,159	6,838	1,913	11,910
Accrued Salaries and Fringes	1,866	1,518	-	3,384
Accrued Interest Payable	13,013	-	438	13,451
Other Accrued Liabilities	86,904	-	-	86,904
Current Portion Other Postemployment Benefits Liability	1,986	2,383	-	4,369
Unearned Revenue	-	3,400	8,403	11,803
Current Portion of Bonds Payable	45,000	-	19,000	64,000
Total Current Liabilities	<u>151,928</u>	<u>14,139</u>	<u>29,754</u>	<u>195,821</u>
NONCURRENT LIABILITIES				
Compensated Absences	21,496	11,258	-	32,754
Net Pension Liability	89,789	84,721	-	174,510
Other Postemployment Benefits Liability	21,400	25,678	-	47,078
Bonds Payable - Long-Term	1,007,935	-	725,590	1,733,525
Total Noncurrent Liabilities	<u>1,140,620</u>	<u>121,657</u>	<u>725,590</u>	<u>1,987,867</u>
Total Liabilities	<u>1,292,548</u>	<u>135,796</u>	<u>755,344</u>	<u>2,183,688</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	5,203	4,909	-	10,112
NET POSITION				
Net Investment in Capital Assets	448,996	970,775	(215,527)	1,204,244
Unrestricted	(25,087)	298,718	143,108	416,739
Total Net Position	<u>\$ 423,909</u>	<u>\$ 1,269,493</u>	<u>\$ (72,419)</u>	<u>\$ 1,620,983</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total
OPERATING REVENUE				
Facility Use/Other Revenue	\$ 60,001	\$ 97,998	\$ 99,692	\$ 257,691
OPERATING EXPENSES				
Personal Services	166,089	182,357	-	348,446
Supplies, Repairs, Services, and Rents	144,298	108,760	58,972	312,030
Depreciation and Amortization	82,076	56,735	28,082	166,893
Total Operating Expenses	<u>392,463</u>	<u>347,852</u>	<u>87,054</u>	<u>827,369</u>
OPERATING INCOME (LOSS)	(332,462)	(249,854)	12,638	(569,678)
OTHER INCOME (EXPENSE)				
Taxes and Special Assessments	269,282	313,781	-	583,063
Interest Income	2,827	2,028	-	4,855
Interest Expense	(29,421)	-	(6,158)	(35,579)
Total Other Income (Expense)	<u>242,688</u>	<u>315,809</u>	<u>(6,158)</u>	<u>552,339</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(89,774)	65,955	6,480	(17,339)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	76,659	-	-	76,659
Total Transfers and Capital Contributions	<u>76,659</u>	<u>-</u>	<u>-</u>	<u>76,659</u>
CHANGE IN NET POSITION	(13,115)	65,955	6,480	59,320
Net Position - Beginning of Year	<u>437,024</u>	<u>1,203,538</u>	<u>(78,899)</u>	<u>1,561,663</u>
NET POSITION - END OF YEAR	<u>\$ 423,909</u>	<u>\$ 1,269,493</u>	<u>\$ (72,419)</u>	<u>\$ 1,620,983</u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers and Service Users	\$ 89,037	\$ 66,565	\$ 102,280	\$ 257,882
Cash Paid to Suppliers	(141,694)	(99,150)	(61,680)	(302,524)
Cash Paid to Employees	(169,375)	(186,969)	-	(356,344)
Net Cash Provided (Used) by Operating Activities	<u>(222,032)</u>	<u>(219,554)</u>	<u>40,600</u>	<u>(400,986)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	76,659	-	-	76,659
Property Tax Revenues	269,282	313,781	-	583,063
Net Cash Provided by Noncapital Financing Activities	<u>345,941</u>	<u>313,781</u>	<u>-</u>	<u>659,722</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	-	(21,342)	-	(21,342)
Interest Paid on Long-Term Debt	(32,408)	-	(6,095)	(38,503)
Principal Payments on Long-Term Debt	(40,000)	-	(17,396)	(57,396)
Net Cash Used by Capital and Related Financing Activities	<u>(72,408)</u>	<u>(21,342)</u>	<u>(23,491)</u>	<u>(117,241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	2,827	2,028	-	4,855
Net Cash Provided by Investing Activities	<u>2,827</u>	<u>2,028</u>	<u>-</u>	<u>4,855</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				
	54,328	74,913	17,109	146,350
Cash and Cash Equivalents - Beginning of Year	<u>153,666</u>	<u>322,933</u>	<u>136,428</u>	<u>613,027</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 207,994</u></u>	<u><u>\$ 397,846</u></u>	<u><u>\$ 153,537</u></u>	<u><u>\$ 759,377</u></u>

**CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (332,462)	\$ (249,854)	\$ 12,638	\$ (569,678)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	82,076	56,735	28,082	166,893
Increase in Deferred Outflows - Pension Related	(818)	(843)	-	(1,661)
(Increase) in Net Pension Liability	8,829	9,268	-	18,097
(Increase) in Deferred Inflows - Pension Related	(12,073)	(11,192)	-	(23,265)
Increase in Deferred Outflows - OPEB Related	(508)	(609)	-	(1,117)
(Increase) in Total OPEB Liability	7,267	8,720	-	15,987
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	29,036	(32,633)	901	(2,696)
Increase (Decrease) in Accounts and Contracts Payable	(93)	4,266	(2,708)	1,465
Increase (Decrease) in Accrued Expenses	(4,769)	(5,963)	-	(10,732)
Increase (Decrease) in Unearned Revenue	-	1,200	1,687	2,887
Increase (Decrease) in Accrued Compensated Absences	1,483	1,351	-	2,834
	<u>\$ (222,032)</u>	<u>\$ (219,554)</u>	<u>\$ 40,600</u>	<u>\$ (400,986)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (222,032)</u>	<u>\$ (219,554)</u>	<u>\$ 40,600</u>	<u>\$ (400,986)</u>

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**CITY OF WINDOM, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>	<u>Passed- Through to Subrecipients</u>
U.S. Environmental Protection Agency: Passed Through Minnesota Public Facilities Authority Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Loan Funds	66.458	MPFA-CWRF-L- 054-FY19	\$ 2,129,248	\$ -
U.S. Department of Homeland Security Passed Through State of Minnesota Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	P07204442PA	85,380	-
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Airport Improvement Program	20.106	TMNFAA01131319 TMNFAA01131116	495,354	-
U.S. Department of the Interior Passed Through Minnesota Department of Natural Resources Fish and Wildlife Cluster Sport Fish Restoration Program	15.605	R29G60F32DS29	319	-
U.S. Department of Treasury Passed Through Minnesota Department of Employment and Economic Development COVID-19 Coronavirus Relief Fund	21.019C	G90CARESDIST	341,969	-
U.S. Department of Housing and Urban Development Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants Total Federal Expenditures	14.228	B22CDBGCG18	46,336	-
			<u>\$ 3,098,606</u>	<u>\$ -</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, 2020**

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, 2020. The information in this Schedule is presented in accordance with the requirements of 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 for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, 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.

NOTE 3 RECONCILIATION OF EXPENDITURES

The following table reconciles certain amounts on the Schedule to the City's financial statements:

Federal Expenditures for 66.458	\$	2,129,248
Less: Expenditures not Reimbursed at Year-End		(68,430)
Add: 2019 Expenditures Reimbursed in 2020 Year-End		<u>203,202</u>
Cash Basis Note Proceeds	\$	<u><u>2,264,020</u></u>



**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, 2020, 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 July 15, 2021.

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) as a basis for designing 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 2020-001 and 2020-002 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 financial statements. 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
July 15, 2021



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 the City of Windom's major federal program for the year ended December 31, 2020. 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.

City of Windom's basic financial statements include the operations of the Windom Area Health, an enterprise fund of the City, which expends federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2020. Our audit, described below, did not include the federal expenditures of Windom Area Health because Windom Area Health reports its own schedule of expenditures of federal awards, which is audited separately.

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 the 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 the City of Windom's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and
Members of the City Council
City of Windom

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 the City of Windom's compliance.

Opinion on the Major Federal Program

In our opinion, the 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, 2020.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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
July 15, 2021



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, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 15, 2021.

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 Windom Area Health 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

CliftonLarsonAllen LLP

Rochester, Minnesota
July 15, 2021

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

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? 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? 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, 2020**

Part II: Findings Related to the Basic Financial Statements

FINDING: 2020-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

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

Condition: The City engages the audit firm to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, the audit firm cannot be considered part of the City's internal control system. As part of its internal control over preparation of its financial statements, the City has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Criteria: The City and management share the ultimate responsibility for the City's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

Context: The City has a limited number of staff.

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 has adopted an internal control policy to review the financial statements prepared by the audit firm. However, the City's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Repeat Finding: The finding was identified in the prior year. See 2019-001.

Recommendation: The City should evaluate the cost/benefit of obtaining further training for the City Clerk in order to enhance financial reporting abilities.

View of Responsible Officials: There is no disagreement with the finding. 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, 2020**

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

FINDING: 2020-002 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 2019-002.

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.