

# City of Windom, Minnesota

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## Audited Financial Statements

December 31, 2021

**SCHLENNER  
WENNER & Co.**  
CPAs

**CITY OF WINDOM, MINNESOTA  
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**INTRODUCTORY  
SECTION**

**CITY OF WINDOM, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>CITY COUNCIL</b>		<u>Term Expires</u>
Dominic Jones	Mayor	December 31, 2024
Jayesun Sherman	Council Member – At-Large	December 31, 2022
Marvin Grunig	Council Member – Ward I	December 31, 2024
Jenny Quade	Council Member – Ward I	December 31, 2022
Lisa Farag	Council Member – Ward II	December 31, 2024*
James Nelson	Council Member – Ward II	December 31, 2022

**CITY OFFICIALS**

Steven Nasby	City Administrator
Cheryl Ulferts	Finance Director

\* Special election to fill 2 year term to be held in November 2022.

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Windom, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota, as of December 31, 2021, and their respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Windom Area Health Fund, which is both a major fund and 39.8 percent, 39.2 percent, and 57.5 percent, respectively, of the assets, net position, and revenues of the business-type activities. Additionally, we did not audit the Windom Area Health Foundation, which comprises the entirety of the aggregate discreetly presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the both the Windom Area Health Fund and Windom Area Health Foundation, are based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

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



The schedule of indebtedness has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022 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.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

June 13, 2022

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

Our discussion and analysis of the City of Windom's financial performance provides an overview of the City's financial activities for the year ended December 31, 2021 . Please read it in conjunction with the independent auditor's report on page 4 and the City's financial statements, which begin on page 19.

**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 \$80,786,780 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$29,261,880.
- The City's total net position increased \$6,388,465 as a result of this year's operations.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$9,608,206 which is a decrease of \$3,377,833 in comparison with the prior year. The overall unassigned fund balance is \$2,846,064.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$4,256,273, or 114% of total 2021 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.
- In the City's business-type activities, revenues increased \$1,451,502 (3.74 percent) and program expenses increased \$649,831 (1.93 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's departments increased \$375,322 (or 0.94 percent) in aggregate.
- The City's General Fund generated more revenue than budgeted of \$268,142, excluding transfers in from other funds. Expenditures were more than budgeted by \$187,788, excluding transfers to other funds. See additional details on page 68.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 19 and 20) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 10. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. You can think of the City's net position (assets plus deferred outflows, less liabilities plus deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, costs associated with current and future construction projects, and the condition of the City's roads, to assess the overall health of the City.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**USING THIS ANNUAL REPORT** (Continued)

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities**-Most of the City's basic services are reported here, including the police, fire, ambulance, public works, parks departments, airport, and general administration. Property taxes, special assessments, licenses, permits and fees, and state aids finance most of these activities.
- **Business-type Activities**-The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, wastewater, electric, telecom, arena, multi-purpose center, river bluff townhomes, liquor store, and Windom Area Health (hospital) are reported here.

**Reporting the City's Most Significant Funds**

Our analysis of the City's funds begins on page 12. The fund financial statements begin on page 21 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds (governmental and proprietary) use different accounting approaches.

- **Governmental Funds**-Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the governmental fund financial statements.
- **Proprietary Funds**-When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**THE CITY AS A WHOLE**

The City's combined net position increased \$6,388,465 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 12,551,615	\$ 16,228,566	\$ 45,245,044	\$ 38,307,311	\$ 57,796,659	\$ 54,535,877
Net Capital Assets	<u>22,826,878</u>	<u>23,340,589</u>	<u>55,740,336</u>	<u>57,949,752</u>	<u>78,567,214</u>	<u>81,290,341</u>
Total Assets	35,378,493	39,569,155	100,985,380	96,257,063	136,363,873	135,826,218
Deferred Outflows of Resources	1,167,813	425,255	1,606,024	963,461	2,773,837	1,388,716
Current Liabilities	333,092	784,424	5,878,270	3,361,553	6,211,362	4,145,977
Noncurrent Liabilities	<u>12,727,253</u>	<u>17,587,637</u>	<u>36,521,827</u>	<u>39,332,116</u>	<u>49,249,080</u>	<u>56,919,753</u>
Total Liabilities	13,060,345	18,372,061	42,400,097	42,693,669	55,460,442	61,065,730
Deferred Inflows of Resources	1,584,095	618,593	1,306,393	1,132,296	2,890,488	1,750,889
Net Position:						
Net Investment in						
Capital Assets	11,516,525	12,848,147	34,638,069	29,612,075	46,154,594	42,460,222
Restricted	4,909,149	4,685,349	461,157	398,331	5,370,306	5,083,680
Unrestricted	<u>5,476,192</u>	<u>3,470,260</u>	<u>23,785,688</u>	<u>23,384,153</u>	<u>29,261,880</u>	<u>26,854,413</u>
Total Net Position	<u>\$ 21,901,866</u>	<u>\$ 21,003,756</u>	<u>\$ 58,884,914</u>	<u>\$ 53,394,559</u>	<u>\$ 80,786,780</u>	<u>\$ 74,398,315</u>

The net position of the City's governmental activities increased by \$898,110 (4.28 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$2,005,932 compared to the prior year.

The net position of the City's business-type activities increased by \$5,490,355 (10.28 percent) from the prior year. Such increase can be attributed primarily to the operations of Windom Area Health, a blended component unit of the City, for which the net position individually increased \$2,938,958. However, the City's Electric Fund also experienced a substantial increase in net position in the amount of \$1,478,010 due to income generated from operations. The additional reserves being generated by this fund will be used for an impending transmission and generation project.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**THE CITY AS A WHOLE** (Continued)

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>REVENUE</b>						
Fees, Charges, Fines, Other	\$ 1,473,934	\$ 1,421,832	\$ 38,105,097	\$ 36,394,649	\$ 39,579,031	\$ 37,816,481
Operating Grants and Contributions	315,160	613,211	1,096,558	468,740	1,411,718	1,081,951
Capital Grants and Contributions	185,449	1,858,196	372,242	1,074,970	557,691	2,933,166
Property Taxes	1,662,301	1,542,056	547,288	596,684	2,209,589	2,138,740
Tax Increment and Other Taxes	847,514	839,071	-	-	847,514	839,071
Intergovernmental	1,934,089	1,529,168	2,101	-	1,936,190	1,529,168
Investment Income	69,533	54,816	181,494	318,235	251,027	373,051
<b>Total Revenues</b>	<b>6,487,980</b>	<b>7,858,350</b>	<b>40,304,780</b>	<b>38,853,278</b>	<b>46,792,760</b>	<b>46,711,628</b>
<b>PROGRAM EXPENSES</b>						
General Government	559,335	571,055	-	-	559,335	571,055
Public Safety	2,380,743	2,294,953	-	-	2,380,743	2,294,953
Public Works	968,197	1,190,055	-	-	968,197	1,190,055
Culture and Recreation	568,516	822,711	-	-	568,516	822,711
Economic Development	1,101,901	623,450	-	-	1,101,901	623,450
Airport	136,787	114,580	-	-	136,787	114,580
Debt Service	262,523	635,707	-	-	262,523	635,707
Water	-	-	1,155,436	1,191,309	1,155,436	1,191,309
Wastewater	-	-	1,990,714	1,294,605	1,990,714	1,294,605
Electric	-	-	5,639,704	5,524,963	5,639,704	5,524,963
Liquor	-	-	2,171,055	2,170,730	2,171,055	2,170,730
Telecom	-	-	2,302,722	2,744,424	2,302,722	2,744,424
Arena	-	-	450,097	421,884	450,097	421,884
Multi-Purpose Center	-	-	356,625	347,852	356,625	347,852
River Bluff Townhomes	-	-	84,018	93,212	84,018	93,212
Windom Area Health	-	-	20,255,761	19,967,322	20,255,761	19,967,322
<b>Total Expenses</b>	<b>5,978,002</b>	<b>6,252,511</b>	<b>34,406,132</b>	<b>33,756,301</b>	<b>40,384,134</b>	<b>40,008,812</b>
Gain (Loss) on Disposal of Assets	(51,632)	20,000	31,471	14,472	(20,161)	34,472
Transfers	439,764	330,351	(439,764)	(330,351)	-	-
<b>Change in Net Position</b>	<b>898,110</b>	<b>1,956,190</b>	<b>5,490,355</b>	<b>4,781,098</b>	<b>6,388,465</b>	<b>6,737,288</b>
<b>Net Position - Beginning of Year</b>	<b>21,003,756</b>	<b>19,047,566</b>	<b>53,394,559</b>	<b>48,613,461</b>	<b>74,398,315</b>	<b>67,661,027</b>
<b>Net Position - End of Year</b>	<b>\$ 21,901,866</b>	<b>\$ 21,003,756</b>	<b>\$ 58,884,914</b>	<b>\$ 53,394,559</b>	<b>\$ 80,786,780</b>	<b>\$ 74,398,315</b>

The City's total revenues increased by \$81,132 (0.17 percent). The total cost of all programs and services increased by \$375,322 (0.94 percent). Our following analysis separately considers the operations of governmental and business-type activities.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**THE CITY AS A WHOLE** (Continued)

**Governmental Activities**

Revenue for the City's governmental activities decreased by \$1,370,370 (17.44 percent). The decrease in revenue is primarily due to fewer capital grant revenues and fewer revenues from new assessments for improvements. Total expenses decreased \$274,509 (4.39 percent), primarily due to decreased expenses for debt service and related costs, culture and recreation, and public works. Such changes in expenses have been reviewed in greater detail below.

Table 3 presents the cost of each of the City's programs-general government, public safety, public works, culture and recreation, economic development, airport and debt service-as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities (net of capital outlay which is excluded from Table 3) were generally comparable to the prior year as operations remained fairly consistent with the prior year, with the exception of:

- Public works net cost of services increased \$1,591,204, largely due to the substantial revenues recognized in the prior year for the 2020 street project assessments, which served as a reduction to the *net* costs of the department in 2020.
- Economic development net cost of services increased \$553,586 due to the write-down and disposal of obsolete inventory supplies held by the EDA, as well as a reduction in funding received in 2021 for economic stimulus.
- Net costs related to debt service decreased \$365,359 in comparison to the prior year, due to bond issuance costs incurred in the prior year and an overall reduction in outstanding debt upon which interest is accruing.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
General Government	\$ 559,335	\$ 571,055	\$ 423,726	\$ 124,715
Public Safety	2,380,743	2,294,953	1,125,408	1,004,367
Public Works	968,197	1,190,055	886,506	(704,698)
Culture and Recreation	568,516	822,711	478,226	758,857
Economic Development	1,101,901	623,450	987,155	433,569
Airport	136,787	114,580	(131,559)	114,580
Debt Service	262,523	635,707	262,523	627,882
Totals	<u>\$ 5,978,002</u>	<u>\$ 6,252,511</u>	<u>\$ 4,031,985</u>	<u>\$ 2,359,272</u>

**Business-type Activities**

Revenues of the City's business-type activities (see Table 2) increased by \$1,415,502 (3.74 percent) and program expenses increased by \$649,831 (1.93 percent). The increase in revenues is due primarily to the increases in net patient service revenues and operating grants received by Windom Area Health. The increase in expenses is due largely to an increase in depreciation expense being recognized in 2021, due to the Wastewater Facility project being finalized and placed into service.

**THE CITY'S FUNDS**

**Governmental Funds**

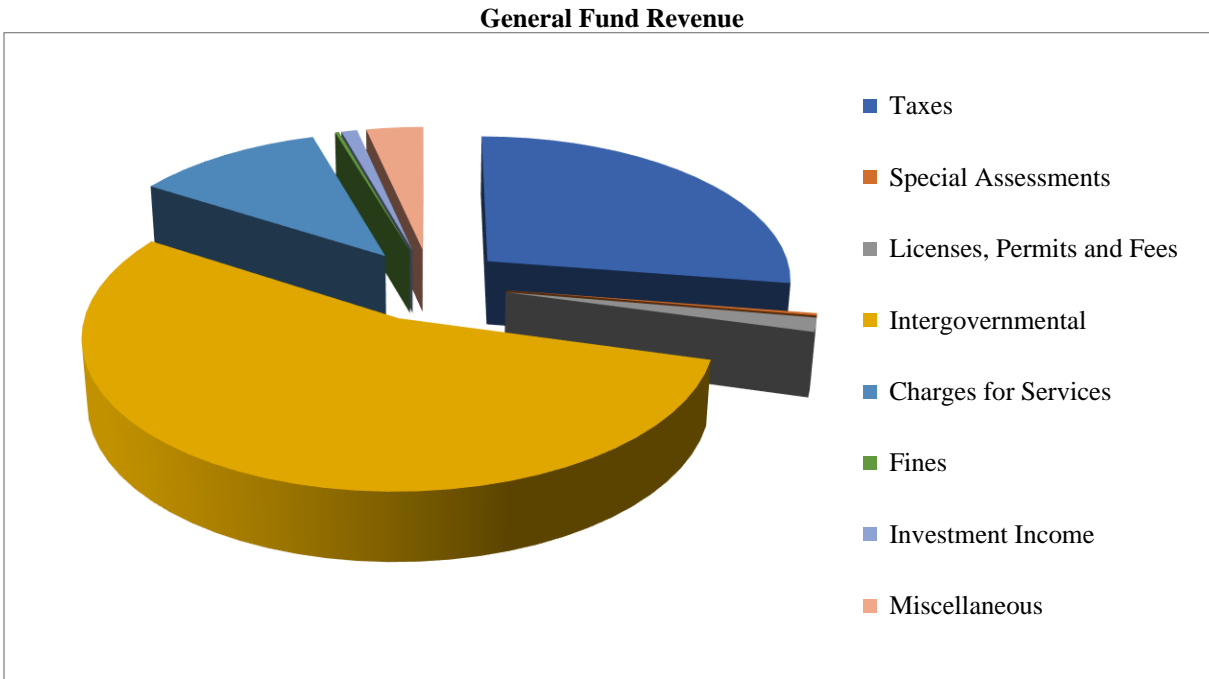
As the City completed the year, its governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of \$9,608,206. This is a decrease of \$3,377,833 from the prior year. Operations were comparable to the prior year, with the exception of bond proceeds and premiums of over \$7 million recognized in the prior year, as well as significant expenditures incurred for the 2020 street project in the prior year. Financial information specific to the governmental funds is detailed on the following page. Such information was derived from the fund financials.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**THE CITY'S FUNDS** (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
<b>General Fund</b>	\$ 4,339,693	\$ 3,943,502	\$ 396,191

The fund balance of the General Fund increased by \$396,191 compared to 2020. Details of the General Fund's revenues and expenditures are displayed below:

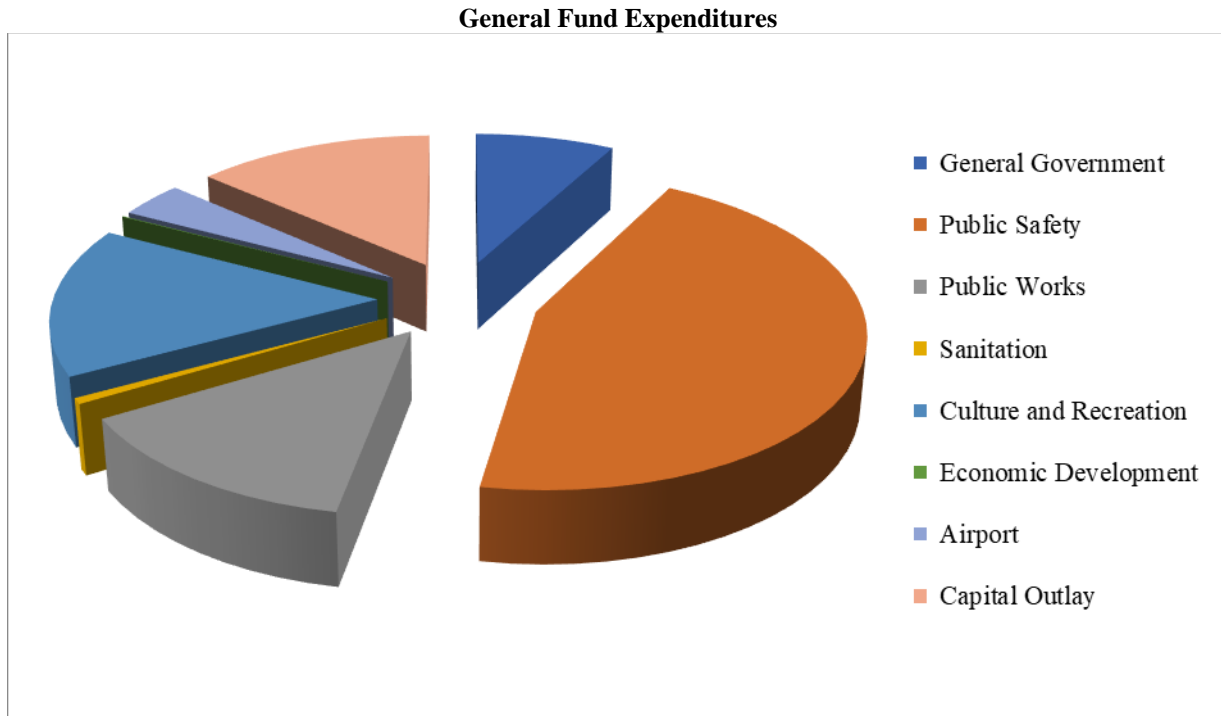


The City received the majority of its funding in the General Fund in the form of grants and funding received from other governmental agencies (54.77 percent) and taxes (27.47 percent). Overall, the City's General Fund revenues were comparable to the prior year.



**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**THE CITY'S FUNDS** (Continued)



A significant portion of the City's General Fund expenditures are used for public safety (44.94 percent). Remaining expenditures are used primarily for culture and recreation (15.52 percent) and public works (13.62 percent). Expenditures are comparable to the prior year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
<b>Debt Service Fund</b>	\$ 865,540	\$ 2,374,595	\$ (1,509,055)

The Debt Service fund balance decreased due to substantial principal payments during the year, including the early repayment of bonds using proceeds from the prior year bond refunding issuance.

**General Fund Budgetary Highlights**

The City's General Fund generated more revenue than budgeted of \$268,142, excluding transfers in from other funds. Expenditures were more than those budgeted by \$187,788, excluding transfers to other funds. The largest budget overruns were experienced for capital outlay in the fire department and other departments.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**THE CITY'S FUNDS** (Continued)

**Proprietary Funds**

As the City completed the year, its business-type activities reported a combined net position of \$58,884,914. This is an increase of \$5,490,355 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2021	2020	
<b>Wastewater Fund</b>	\$ 19,361,073	\$ 19,235,779	\$ 125,294

The Wastewater Fund net position increased due to charges for services being higher than both operating expenses and transfers to other funds. Operating expenses increased significantly from that of the prior year, due primarily to this being the first year that depreciation expense was recognized for the new wastewater facility.

<b>Electric Fund</b>	\$ 15,753,342	\$ 14,275,332	\$ 1,478,010
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The Electric Fund net position increased as a result of strong financial operating results, stemming from favorable power cost rates and amounts refunded to the City through its relationship with the Central Minnesota Municipal Power Agency.

<b>Telecom Fund</b>	\$ (6,751,257)	\$ (7,383,056)	\$ 631,799
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The Telecom Fund has a deficit net position as a result of infrastructure debt carried by this fund. However, this fund experienced a substantial decrease in this deficit, as noted above, as a result of positive operating results during the year.

<b>Windom Area Health Fund</b>	\$ 23,107,169	\$ 20,168,211	\$ 2,938,958
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The Windom Area Health Fund increased substantially during 2021 as a result of net patient service revenues in excess of operating costs and revenues from grants and contributions recognized during the year.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2021, the City had a net investment of \$78,567,214 in a broad range of capital assets, including machinery and equipment, buildings, improvements, roads, and water, wastewater, electric, and telecom infrastructure. This amount represents a net decrease of \$2,723,127 (3.35 percent) from last year. More detailed information about the City's capital assets is presented in Note 2.B. to the financial statements.

**Table 4  
Capital Assets Net of Depreciation**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 232,961	\$ 232,961	\$ 519,424	\$ 519,424	\$ 752,385	\$ 752,385
Construction In Progress	239,810	551,664	271,919	18,137,187	511,729	18,688,851
Buildings and Improvements	10,102,493	9,796,030	25,389,614	11,630,900	35,492,107	21,426,930
Furniture and Equipment	29,405	51,589	5,907,028	6,571,011	5,936,433	6,622,600
Machinery and Equipment	1,617,081	1,666,423	7,040,198	3,751,935	8,657,279	5,418,358
Infrastructure	10,605,128	11,041,922	16,612,153	17,339,295	27,217,281	28,381,217
Totals	<u>\$22,826,878</u>	<u>\$23,340,589</u>	<u>\$55,740,336</u>	<u>\$57,949,752</u>	<u>\$78,567,214</u>	<u>\$81,290,341</u>

**Debt**

At year-end, the City had \$38,998,951 in gross debt versus \$46,332,367 last year (a decrease of 15.83 percent), as shown in Table 5. See additional information regarding these issuances in Note 2.C. to the financial statements.

**Table 5  
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
G.O. Bonds	\$ 10,935,000	\$ 13,295,000	\$ 6,790,000	\$ 8,390,000	\$ 17,725,000	\$ 21,685,000
Revenue Bonds	-	-	11,524,000	14,425,000	11,524,000	14,425,000
Capital Lease	-	1,801,000	-	-	-	1,801,000
Notes Payable	-	201,103	9,749,951	8,220,264	9,749,951	8,421,367
Totals	<u>\$ 10,935,000</u>	<u>\$ 15,297,103</u>	<u>\$ 28,063,951</u>	<u>\$ 31,035,264</u>	<u>\$ 38,998,951</u>	<u>\$ 46,332,367</u>

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**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 did not impact the Department's revenue, but balanced the rates to cover the expenses for each of these classes. No rate adjustments nor increases are planned for 2022 as power purchase costs (day ahead market and contract) remain within budget.
- The Hwy 60/71 Corridor Study conducted by KLJ Engineering as sponsored by MN DOT and the City was completed in 2021 and recommended actions were reviewed and agreed to (in concept) by the City Council.
- The new car wash was completed in 2021. In 2022 Kwik Trip started construction and in mid-summer a new Family Dollar store is scheduled for construction.
- A new 60-unit apartment building is planning a June\July 2022 start, with half of the units ready for occupancy in 2022 and the balance for completion in 2023.
- The Telecom Department is working to begin conversion to an over-the-top video-streaming service by the end of 2022.
- Hylife Foods (formerly Prime Pork) is continuing to ramp up operations and employed over 1,000 people at the end of 2021. Hylife utilizes City wastewater and electric which greatly contribute to the revenues for these operations.
- Interest rates on investments have been trending higher in 2021 with predictions for higher rates in 2022. Interest rates for CDs, which is the City's main investment tool, appear to be maintaining on the low end (.5% to 1.5%).
- Windom's new wastewater treatment plant was completed and operations come into compliance with State regulations. In 2021 an inflationary increase of 1.25% was needed to cover costs.
- Water rates were increased by 1% to cover inflationary cost increases.
- 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 City was notified that it will receive American Recover Plan Act (federal) funds in the amount of \$475,728. Half of these funds were remitted to the City in 2021 and the second half is scheduled for 2022. These funds can be used for a variety of government expenses as determined by US Treasury regulations.
- The Community Center had a record year for revenue as the event calendar was very busy.
- River Bend Liquor Store had another good year posting revenue of about \$2.29 million in 2021, which was close to their record in 2020 of \$2.34 million.
- Revenues and expenses continue to stabilize within the Telecom Fund and the year-end numbers show the fund with a positive year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at City of Windom, 444 9<sup>th</sup> Street, P.O. Box 38, Windom, MN 56101.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	2021			April 30, 2021
	Governmental Activities	Business-Type Activities	Totals	Windom Area Health Foundation
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 8,768,570	\$ 36,050,099	\$ 44,818,669	\$ 266,181
Restricted Cash	-	403,024	403,024	126,110
Property Taxes Receivable	33,195	-	33,195	-
Assessments Receivable	1,772,099	144,695	1,916,794	-
Accounts Receivable	551,768	4,611,768	5,163,536	-
Interest Receivable	-	18,386	18,386	-
Inventory	29,660	1,427,360	1,457,020	-
Prepays	-	62,285	62,285	-
Property Held for Sale	366,380	-	366,380	-
Noncurrent Assets:				
Capital Assets Not Being Depreciated	472,771	791,343	1,264,114	-
Capital Assets Being Depreciated (Net)	22,354,107	54,948,993	77,303,100	-
Loans Receivable (Net)	396,040	2,527,427	2,923,467	-
Net Pension Asset	633,903	-	633,903	-
<b>TOTAL ASSETS</b>	<b>35,378,493</b>	<b>100,985,380</b>	<b>136,363,873</b>	<b>392,291</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB	21,893	21,085	42,978	-
Pensions	1,145,920	1,584,939	2,730,859	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,167,813</b>	<b>1,606,024</b>	<b>2,773,837</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts Payable	106,187	1,129,696	1,235,883	-
Claims Payable	-	983,814	983,814	-
Salaries Payable	-	1,012,397	1,012,397	-
Accrued Interest Payable	112,401	107,051	219,452	-
Payroll Deductions and Employer Contributions	41,616	-	41,616	-
Other Current Liabilities	34,861	33,732	68,593	-
Unearned Revenue	38,027	2,611,580	2,649,607	-
Noncurrent Liabilities:				
Amount Due Within One Year	915,000	4,013,911	4,928,911	-
Amount Due After One Year	10,674,168	24,680,550	35,354,718	-
Net OPEB Liability	296,788	376,496	673,284	-
Net Pension Liability	841,297	7,450,870	8,292,167	-
<b>TOTAL LIABILITIES</b>	<b>13,060,345</b>	<b>42,400,097</b>	<b>55,460,442</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB	-	60,116	60,116	-
Pensions	1,584,095	1,246,277	2,830,372	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,584,095</b>	<b>1,306,393</b>	<b>2,890,488</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	11,516,525	34,638,069	46,154,594	-
Restricted	4,909,149	461,157	5,370,306	126,110
Unrestricted	5,476,192	23,785,688	29,261,880	266,181
<b>TOTAL NET POSITION</b>	<b>\$ 21,901,866</b>	<b>\$ 58,884,914</b>	<b>\$ 80,786,780</b>	<b>\$ 392,291</b>

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	2021							April 30, 2021 Windom Area Health Foundation
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities:</b>								
General Government	\$ 559,335	\$ 80,172	\$ 55,437	\$ -	\$ (423,726)	\$ -	\$ (423,726)	\$ -
Public Safety	2,380,743	1,100,143	155,192	-	(1,125,408)	-	(1,125,408)	-
Public Works	945,771	11,200	-	70,491	(864,080)	-	(864,080)	-
Sanitation	22,426	-	-	-	(22,426)	-	(22,426)	-
Culture and Recreation	568,516	65,500	24,790	-	(478,226)	-	(478,226)	-
Economic Development	1,101,901	60,395	54,351	-	(987,155)	-	(987,155)	-
Airport	136,787	127,998	25,390	114,958	131,559	-	131,559	-
Debt Service	262,523	-	-	-	(262,523)	-	(262,523)	-
<b>Total Governmental Activities</b>	<b>5,978,002</b>	<b>1,445,408</b>	<b>315,160</b>	<b>185,449</b>	<b>(4,031,985)</b>	<b>-</b>	<b>(4,031,985)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water	1,155,436	1,306,276	-	10,304	-	161,144	161,144	-
Wastewater	1,990,714	2,054,553	-	33,002	-	96,841	96,841	-
Electric	5,639,704	7,293,777	-	-	-	1,654,073	1,654,073	-
Liquor	2,171,055	2,297,173	-	-	-	126,118	126,118	-
Telecom	2,302,722	2,935,680	-	-	-	632,958	632,958	-
Arena	450,097	57,420	-	255,263	-	(137,414)	(137,414)	-
Multi-Purpose Center	356,625	154,145	-	-	-	(202,480)	(202,480)	-
River Bluff Townhomes	84,018	102,365	-	-	-	18,347	18,347	-
Windom Area Health	20,255,761	21,903,708	1,096,558	73,673	-	2,818,178	2,818,178	-
<b>Total Business-Type Activities</b>	<b>34,406,132</b>	<b>38,105,097</b>	<b>1,096,558</b>	<b>372,242</b>	<b>-</b>	<b>5,167,765</b>	<b>5,167,765</b>	<b>-</b>
<b>Total Primary Government:</b>	<b>\$ 40,384,134</b>	<b>\$ 39,550,505</b>	<b>\$ 1,411,718</b>	<b>\$ 557,691</b>	<b>(4,031,985)</b>	<b>5,167,765</b>	<b>1,135,780</b>	<b>-</b>
<b>Component Unit:</b>								
Windom Area Health Foundation	\$ 68,684	\$ 25,292	\$ 32,080	\$ -	-	-	-	(11,312)
<b>General Revenues:</b>								
Property Taxes					1,662,301	547,288	2,209,589	-
Tax Increment and Other Taxes					847,514	-	847,514	-
Intergovernmental					1,934,089	2,101	1,936,190	-
Investment Income					69,533	181,494	251,027	-
Gain (Loss) on Sale of Assets					(51,632)	31,471	(20,161)	-
Miscellaneous					28,526	-	28,526	-
<b>Total General Revenues</b>					<b>4,490,331</b>	<b>762,354</b>	<b>5,252,685</b>	<b>-</b>
Transfers					439,764	(439,764)	-	-
<b>Total General Revenues and Transfers</b>					<b>4,930,095</b>	<b>322,590</b>	<b>5,252,685</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>898,110</b>	<b>5,490,355</b>	<b>6,388,465</b>	<b>(11,312)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>21,003,756</b>	<b>53,394,559</b>	<b>74,398,315</b>	<b>403,603</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 21,901,866</b>	<b>\$ 58,884,914</b>	<b>\$ 80,786,780</b>	<b>\$ 392,291</b>

**CITY OF WINDOM, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 4,049,155	\$ 1,104,813	\$ 3,614,602	\$ 8,768,570
Property Taxes Receivable	33,195	-	-	33,195
Assessments Receivable	10,272	823,784	938,043	1,772,099
Accounts Receivable	164,883	3,778	383,107	551,768
Due from Other Funds	243,051	-	-	243,051
Inventory	29,660	-	-	29,660
Property Held for Resale	-	-	366,380	366,380
Loans Receivable (Net)	-	-	396,040	396,040
<b>TOTAL ASSETS</b>	<u>\$ 4,530,216</u>	<u>\$ 1,932,375</u>	<u>\$ 5,698,172</u>	<u>\$ 12,160,763</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 60,408	\$ -	\$ 45,779	\$ 106,187
Payroll Deductions and Employer Contributions	41,616	-	-	41,616
Due to Other Funds	-	243,051	-	243,051
Other Current Liabilities	34,861	-	-	34,861
Unearned Revenue	-	-	38,027	38,027
<b>Total Liabilities</b>	136,885	243,051	83,806	463,742
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	33,195	-	-	33,195
Special Assessments	10,272	823,784	938,043	1,772,099
Loans Receivable	-	-	273,350	273,350
Other Receivables	10,171	-	-	10,171
<b>Total Deferred Inflows of Resources</b>	53,638	823,784	1,211,393	2,088,815
<b>FUND BALANCES</b>				
Nonspendable	29,660	-	489,070	518,730
Restricted	53,760	865,540	2,067,073	2,986,373
Committed	81,755	-	-	81,755
Assigned	1,328,454	-	1,846,830	3,175,284
Unassigned	2,846,064	-	-	2,846,064
<b>Total Fund Balances</b>	<u>4,339,693</u>	<u>865,540</u>	<u>4,402,973</u>	<u>9,608,206</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 4,530,216</u>	<u>\$ 1,932,375</u>	<u>\$ 5,698,172</u>	<u>\$ 12,160,763</u>



**CITY OF WINDOM, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

Total Fund Balances - Governmental Funds \$ 9,608,206

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:

Capital Assets	\$ 45,842,249	
Accumulated Depreciation	<u>(23,015,371)</u>	
Capital Assets (Net)		22,826,878

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds Balance Sheet:

Bond Principal Payable	(10,935,000)	
Bond Premium, Net of Accumulated Amortization	(375,353)	
Compensated Absences	<u>(278,815)</u>	
		(11,589,168)

The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the funds:

Net OPEB Liability	(296,788)	
Deferred Outflows - OPEB	<u>21,893</u>	
		(274,895)

The net pension asset/liability and related deferred outflows/inflows represent the allocation of pension obligations to the City. Such balances are not reported in the funds:

Net Pension Asset	633,903	
Net Pension Liability	(841,297)	
Deferred Outflows - Pensions	1,145,920	
Deferred Inflows - Pensions	<u>(1,584,095)</u>	
		(645,569)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

(112,401)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:

Property Taxes Receivable		33,195
Special Assessments Receivable		1,772,099
Loans Receivable		273,350
Other Receivables		<u>10,171</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 21,901,866**

**CITY OF WINDOM, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 1,111,886	\$ 344,020	\$ 231,566	\$ 1,687,472
Tax Increment	-	-	791,802	791,802
Lodging Tax	55,712	-	-	55,712
Special Assessments	10,135	143,843	144,398	298,376
Licenses, Permits, and Fees	61,671	-	-	61,671
Intergovernmental	2,216,794	-	75,638	2,292,432
Charges for Services	459,659	-	880,974	1,340,633
Fines	9,575	-	-	9,575
Interest Income:				
Investments	38,634	141	9,421	48,196
Loans	-	-	21,337	21,337
Loan Collections - Township Portion	-	-	63,650	63,650
Miscellaneous	138,792	-	190,507	329,299
<b>TOTAL REVENUES</b>	<u>4,102,858</u>	<u>488,004</u>	<u>2,409,293</u>	<u>7,000,155</u>
<b>EXPENDITURES</b>				
Current:				
General Government	294,846	1,975	-	296,821
Public Safety	1,670,941	-	562,960	2,233,901
Public Works	506,481	-	999	507,480
Sanitation	22,426	-	-	22,426
Parks and Recreation	370,445	-	-	370,445
Library	206,470	-	-	206,470
Economic Development	2,500	-	1,010,968	1,013,468
Airport	139,259	-	-	139,259
Capital Outlay	504,805	-	235,870	740,675
Debt Service:				
Principal	-	550,000	440,103	990,103
Interest and Other Charges	-	142,882	185,037	327,919
<b>TOTAL EXPENDITURES</b>	<u>3,718,173</u>	<u>694,857</u>	<u>2,435,937</u>	<u>6,848,967</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	384,685	(206,853)	(26,644)	151,188
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Refunding Payment	-	(1,655,000)	(1,717,000)	(3,372,000)
Property Held for Sale - Market Adjustment	-	-	(596,785)	(596,785)
Transfers In	290,343	352,798	75,460	718,601
Transfers Out	(278,837)	-	-	(278,837)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>11,506</u>	<u>(1,302,202)</u>	<u>(2,238,325)</u>	<u>(3,529,021)</u>
<b>NET CHANGE IN FUND BALANCES</b>	396,191	(1,509,055)	(2,264,969)	(3,377,833)
<b>FUND BALANCES - BEGINNING</b>	<u>3,943,502</u>	<u>2,374,595</u>	<u>6,667,942</u>	<u>12,986,039</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,339,693</u>	<u>\$ 865,540</u>	<u>\$ 4,402,973</u>	<u>\$ 9,608,206</u>

**CITY OF WINDOM, MINNESOTA  
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (3,377,833)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Capital Outlay Capitalized	\$ 739,546	
Depreciation Expense	<u>(1,253,257)</u>	(513,711)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Bond Principal Repayments	990,103	
Bond Refunding Payments	3,372,000	
Amortization of Bond Premium	<u>26,738</u>	4,388,841

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due: 38,658

Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	(25,171)	
Special Revenues	(227,885)	
Loans Receivable	273,350	
Other Receivables	<u>10,171</u>	30,465

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences		(22,817)
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Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net OPEB Liability and Deferred Outflows/Inflows of Resources	(73,739)	
Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources	<u>428,246</u>	<u>354,507</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 898,110**

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021**

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2021 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>						
Current Assets						
Cash, Cash Equivalents, and Investments	\$ 2,766,925	\$ 8,195,501	\$ -	\$ 22,168,005	\$ 2,919,668	\$ 36,050,099
Restricted Cash	-	-	-	403,024	-	403,024
Accounts Receivable	223,515	760,017	65,712	3,457,872	104,652	4,611,768
Interest Receivable	-	-	-	18,386	-	18,386
Due from Other Funds	-	307,939	-	-	-	307,939
Inventory	13,935	746,171	58,895	235,779	372,580	1,427,360
Prepays	-	-	-	62,285	-	62,285
<b>Total Current Assets</b>	<b>3,004,375</b>	<b>10,009,628</b>	<b>124,607</b>	<b>26,345,351</b>	<b>3,396,900</b>	<b>42,880,861</b>
Noncurrent Assets						
Capital Assets Not Being Depreciated	27,925	218,280	102,179	282,000	160,959	791,343
Capital Assets Being Depreciated (Net)	24,455,081	6,517,712	1,762,268	13,581,926	8,632,006	54,948,993
Assessments Receivable	51,337	-	-	-	93,358	144,695
Loans Receivable (Net)	2,527,427	-	-	-	-	2,527,427
<b>Total Noncurrent Assets</b>	<b>27,061,770</b>	<b>6,735,992</b>	<b>1,864,447</b>	<b>13,863,926</b>	<b>8,886,323</b>	<b>58,412,458</b>
<b>TOTAL ASSETS</b>	<b>30,066,145</b>	<b>16,745,620</b>	<b>1,989,054</b>	<b>40,209,277</b>	<b>12,283,223</b>	<b>101,293,319</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
OPEB	995	2,985	4,976	3,174	8,955	21,085
Pensions	115,919	250,771	188,810	723,690	305,749	1,584,939
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>116,914</b>	<b>253,756</b>	<b>193,786</b>	<b>726,864</b>	<b>314,704</b>	<b>1,606,024</b>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	33,863	352,359	81,768	537,760	123,946	1,129,696
Claims Payable	-	-	-	983,814	-	983,814
Salaries Payable	-	-	-	1,012,397	-	1,012,397
Due to Other Funds	-	-	307,939	-	-	307,939
Other Current Liabilities	-	72	5,466	-	28,194	33,732
Unearned Revenue	-	108,165	-	2,488,784	14,631	2,611,580
Accrued Interest	54,098	-	19,341	-	33,612	107,051
Debt Due Within One Year	923,850	-	691,000	2,169,500	229,561	4,013,911
<b>Total Current Liabilities</b>	<b>1,011,811</b>	<b>460,596</b>	<b>1,105,514</b>	<b>7,192,255</b>	<b>429,944</b>	<b>10,200,120</b>
Noncurrent Liabilities						
Compensated Absences Due						
After One Year	47,044	86,285	108,267	-	101,598	343,194
Debt Due After One Year	9,445,237	-	7,158,815	3,998,647	3,734,657	24,337,356
Net OPEB Liability	13,490	40,471	67,452	133,669	121,414	376,496
Net Pension Liability	157,769	341,387	256,060	6,283,238	412,416	7,450,870
<b>Total Noncurrent Liabilities</b>	<b>9,663,540</b>	<b>468,143</b>	<b>7,590,594</b>	<b>10,415,554</b>	<b>4,370,085</b>	<b>32,507,916</b>
<b>TOTAL LIABILITIES</b>	<b>10,675,351</b>	<b>928,739</b>	<b>8,696,108</b>	<b>17,607,809</b>	<b>4,800,029</b>	<b>42,708,036</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
OPEB	-	-	-	60,116	-	60,116
Pensions	146,635	317,295	237,989	161,047	383,311	1,246,277
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>146,635</b>	<b>317,295</b>	<b>237,989</b>	<b>221,163</b>	<b>383,311</b>	<b>1,306,393</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	14,113,919	6,735,992	1,263,632	7,695,779	4,828,747	34,638,069
Restricted	-	-	-	461,157	-	461,157
Unrestricted	5,247,154	9,017,350	(8,014,889)	14,950,233	2,585,840	23,785,688
<b>TOTAL NET POSITION</b>	<b>\$ 19,361,073</b>	<b>\$ 15,753,342</b>	<b>\$ (6,751,257)</b>	<b>\$ 23,107,169</b>	<b>\$ 7,414,587</b>	<b>\$ 58,884,914</b>

**CITY OF WINDOM, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2021 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
<b>SALES AND COST OF SALES</b>						
Sales	\$ -	\$ -	\$ -	\$ -	\$ 2,297,173	\$ 2,297,173
Cost of Sales	-	-	-	-	(1,697,069)	(1,697,069)
Facility Use/Other Revenue	-	-	-	-	313,930	313,930
<b>GROSS PROFIT</b>	-	-	-	-	914,034	914,034
<b>OPERATING REVENUES</b>						
Charges for Services	<u>2,054,553</u>	<u>7,293,777</u>	<u>2,935,680</u>	<u>21,903,708</u>	<u>1,306,276</u>	<u>35,493,994</u>
<b>TOTAL GROSS PROFIT AND OPERATING REVENUES</b>	2,054,553	7,293,777	2,935,680	21,903,708	2,220,310	36,408,028
<b>OPERATING EXPENSES</b>						
Cost of Power / Services	-	4,057,437	844,383	-	-	4,901,820
Wages and Benefits	312,260	505,343	538,027	6,024,088	1,002,120	8,381,838
Materials and Supplies	188,451	50,363	31,182	-	147,071	417,067
Repairs and Maintenance	82,379	135,772	37,441	-	117,937	373,529
Professional Services	62,968	58,014	82,493	6,000,314	55,191	6,258,980
Licenses, Permits, and Fees	10,045	39,030	73,356	-	37,733	160,164
Insurance	25,928	138,155	31,375	-	77,221	272,679
Utilities	175,659	10,336	159,123	-	255,486	600,604
Administrative and General	-	-	-	6,632,506	-	6,632,506
Miscellaneous	56,991	39,548	12,784	-	125,278	234,601
Depreciation and Amortization	<u>930,572</u>	<u>605,706</u>	<u>328,488</u>	<u>1,427,969</u>	<u>616,352</u>	<u>3,909,087</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,845,253</u>	<u>5,639,704</u>	<u>2,138,652</u>	<u>20,084,877</u>	<u>2,434,389</u>	<u>32,142,875</u>
<b>NET OPERATING INCOME</b>	209,300	1,654,073	797,028	1,818,831	(214,079)	4,265,153
<b>NONOPERATING INCOME (EXPENSE)</b>						
Taxes	-	-	-	-	547,288	547,288
Special Assessments	2,128	-	-	-	8,270	10,398
Intergovernmental	30,874	840	630	-	2,665	35,009
Investment Income	31,100	23,741	461	120,780	5,412	181,494
Gain (Loss) on Sale of Assets	40,000	106	-	-	(8,635)	31,471
Grants and Contributions	-	-	-	1,170,231	-	1,170,231
Miscellaneous	-	-	-	-	255,263	255,263
Interest and Other Charges	<u>(145,461)</u>	<u>-</u>	<u>(164,070)</u>	<u>(170,884)</u>	<u>(85,773)</u>	<u>(566,188)</u>
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<u>(41,359)</u>	<u>24,687</u>	<u>(162,979)</u>	<u>1,120,127</u>	<u>724,490</u>	<u>1,664,966</u>
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	167,941	1,678,760	634,049	2,938,958	510,411	5,930,119
<b>TRANSFERS</b>						
Operating Transfers In	-	-	-	-	30,649	30,649
Operating Transfers Out	<u>(42,647)</u>	<u>(200,750)</u>	<u>(2,250)</u>	<u>-</u>	<u>(224,766)</u>	<u>(470,413)</u>
<b>NET TRANSFERS</b>	<u>(42,647)</u>	<u>(200,750)</u>	<u>(2,250)</u>	<u>-</u>	<u>(194,117)</u>	<u>(439,764)</u>
<b>CHANGE IN NET POSITION</b>	125,294	1,478,010	631,799	2,938,958	316,294	5,490,355
<b>NET POSITION - BEGIN. OF YEAR</b>	<u>19,235,779</u>	<u>14,275,332</u>	<u>(7,383,056)</u>	<u>20,168,211</u>	<u>7,098,293</u>	<u>53,394,559</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 19,361,073</u>	<u>\$ 15,753,342</u>	<u>\$ (6,751,257)</u>	<u>\$ 23,107,169</u>	<u>\$ 7,414,587</u>	<u>\$ 58,884,914</u>

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2021 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	\$ 2,039,719	\$ 7,265,482	\$ 2,913,273	\$ 22,906,158	\$ 3,948,342	\$ 39,072,974
Cash Paid to Suppliers	(636,757)	(4,625,256)	(1,289,356)	(12,167,656)	(2,544,317)	(21,263,342)
Cash Paid to Employees	(299,756)	(559,339)	(532,561)	(6,231,607)	(991,338)	(8,614,601)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	1,103,206	2,080,887	1,091,356	4,506,895	412,687	9,195,031
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Taxes and Intergovernmental	-	840	630	-	547,919	549,389
Other Receipts from Customers	-	-	-	1,165,538	255,263	1,420,801
Net Operating Subsidies and Transfers from (to) Other Funds	(42,647)	(508,689)	305,689	-	(194,117)	(439,764)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(42,647)	(507,849)	306,319	1,165,538	609,065	1,530,426
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Assessments and Loans Receivable	376,029	-	-	-	13,326	389,355
Intergovernmental and Other	30,874	-	-	-	2,034	32,908
Purchases of Capital Assets	(478,621)	(527,138)	(66,442)	(169,415)	(501,054)	(1,742,670)
Proceeds from Sale of Capital Assets	40,000	106	-	-	-	40,106
Payments on Debt Principal	(903,000)	-	(661,000)	(230,000)	(248,783)	(2,042,783)
Proceeds from Debt Issuance	266,967	-	-	1,929,500	-	2,196,467
Cash Paid for Interest	(169,297)	-	(189,986)	(165,564)	(73,410)	(598,257)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(837,048)	(527,032)	(917,428)	1,364,521	(807,887)	(1,724,874)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net Sales (Purchase) of Investments	-	760,000	-	137,285	20,000	917,285
Investment Income	30,071	15,700	276	162,445	6,474	214,966
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	30,071	775,700	276	299,730	26,474	1,132,251
Net Change in Cash and Cash Equivalents	253,582	1,821,706	480,523	7,336,684	240,339	10,132,834
Cash and Cash Equivalents - Beginning of Year	660,400	3,128,088	(1,212,748)	6,780,202	1,919,738	11,275,680
Cash and Cash Equivalents - End of Year	913,982	4,949,794	(732,225)	14,116,886	2,160,077	21,408,514
Investments	1,852,943	3,245,707	732,225	8,051,119	759,591	14,641,585
Total Cash, Cash Equivalents, and Investments	<u>\$ 2,766,925</u>	<u>\$ 8,195,501</u>	<u>\$ -</u>	<u>\$ 22,168,005</u>	<u>\$ 2,919,668</u>	<u>\$ 36,050,099</u>

**CITY OF WINDOM, MINNESOTA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2021 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
<b>RECONCILIATION OF NET OPERATING INCOME</b>						
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>						
<b>OPERATING ACTIVITIES</b>						
Net Operating Income (Loss)	\$ 209,300	\$ 1,654,073	\$ 797,028	\$ 1,818,831	\$ (214,079)	\$ 4,265,153
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by						
Operating Activities:						
Depreciation and Amortization	930,572	605,706	328,488	1,427,969	616,352	3,909,087
Changes in Assets, Liabilities, and Deferrals:						
Accounts Receivable	(14,834)	(33,095)	(22,407)	(1,486,334)	29,707	(1,526,963)
Inventory	(13,935)	(137,363)	(6,140)	(1,174)	17,162	(141,450)
Prepays	83,319	-	-	(4,148)	-	79,171
Accounts Payable	(103,720)	40,690	(11,741)	159,209	9,908	94,346
Claims Payable	-	-	662	311,277	-	311,939
Other Current Liabilities	-	72	-	-	(58,401)	(58,329)
Unearned Revenue	-	4,800	-	2,488,784	1,256	2,494,840
Net OPEB Liability	(18,747)	(4,662)	28,768	(42,310)	53,718	16,767
Net Pension Liability	(61,657)	(4,300)	(44,789)	594,128	(15,796)	467,586
Deferred Outflows of Resources - OPEB	1,961	1,154	(1,428)	(3,174)	(2,746)	(4,233)
Deferred Outflows of Resources - Pensions	(99,291)	(224,575)	(166,010)	106,593	(273,297)	(656,580)
Deferred Inflows of Resources - OPEB	-	-	-	60,116	-	60,116
Deferred Inflows of Resources - Pensions	202,678	219,835	197,995	(888,538)	264,146	(3,884)
Compensated Absences	(12,440)	(41,448)	(9,070)	(34,334)	(15,243)	(112,535)
<b>NET CASH PROVIDED (USED) BY</b>						
<b>OPERATING ACTIVITIES</b>	<u>\$ 1,103,206</u>	<u>\$ 2,080,887</u>	<u>\$ 1,091,356</u>	<u>\$ 4,506,895</u>	<u>\$ 412,687</u>	<u>\$ 9,195,031</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Windom (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and five-member council. The City provides the following services: sanitation, water and sewer utilities, electric, telecom, liquor, recreation, public improvements, public safety, airport, planning and zoning, and general administrative services.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is comprised of the primary governmental unit of the City of Windom, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component units:

Economic Development Authority of the City of Windom

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.

The financial activity of the Authority is performed by the City of Windom and treated as routine City business.

Windom Area Health

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 (discussed further below).

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. Separately issued financials statements are available for WAH and its Foundation by contacting the chief financial officer of WAH 2150 Hospital Drive, Windom, Minnesota 56101.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has the following discretely presented component units:

Windom Area Health Foundation

The Windom Area Health Foundation (the Foundation) is a 501(c)(3) organization whose sole purpose is to support the Hospital. The Windom Area Health Foundation conducts fundraising campaigns on behalf of the Hospital. For financial reporting purposes, the Foundation is presented as a discretely presented component unit of the Hospital. Separately issued financials 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, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.A. FINANCIAL REPORTING ENTITY (Continued)**

**Related Organizations**

Housing and Redevelopment Authority

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.

**Other Organizations**

Fire Relief Association

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, 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.

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity, except for fiduciary funds (of which the City has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

The City reports the following major governmental funds:

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

The City reports the following major proprietary funds:

*Wastewater Fund*

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

*Electric Fund*

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

*Telecom Fund*

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

*Windom Area Health Fund*

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

The City reports the following nonmajor fund types:

*Special Revenue Funds*

The Special Revenue Funds account for funds received by the City with a specific purpose.

*Capital Project Funds*

The Capital Project Funds account for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

*Enterprise Funds*

Enterprise Funds are used to account for other business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the "economic resources" measurement focus as defined in the second bullet point below.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities, as well as the discreetly presented component unit, are presented using the “accrual basis” of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the “modified accrual” basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonable estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds (if any) utilize the accrual basis of accounting.

**1.D. 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, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Cash and Cash Equivalents**

For purposes of the Statement of Net Position, “cash, cash equivalents, and investments” includes all demand, savings, and money market savings accounts for the City, as well as certain investments discussed below. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand, savings, and money market savings accounts.

**Restricted Cash**

At April 30, 2021, restricted cash and investments of the Hospital consisted of certificates of deposit held for the purpose of the project and reserve fund for the Revenue Hospital Bonds, Series 2014A.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Investments**

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.D. for details of interfund transactions, including receivables and payables at year-end.

**Prepays**

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**Inventory**

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

**Property 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.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and charges for services. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end, other than a \$4,000 allowance established in the General Fund for delinquent fire call receivable balances.

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Loans Receivable**

Loans receivable consists of interest-bearing loans due from local businesses through its economic development fund to reimburse the City. At December 31, 2021, the remaining balance of such loans amount to \$396,040. No allowance has been considered necessary at year-end based on an assessment of each individual loan.

Additionally, the City carries a loan receivable in the Wastewater Fund in the amount of \$2,527,427 at December 31, 2021. Such loan was incurred for the purpose of receiving reimbursements from a local business to help finance improvements required for the City’s wastewater treatment system. The loan carries an interest rate of one percent and is due in full by 2028.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by both the City and the Hospital as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset held by the City is as follows:

Buildings and Structures	25-50 years
Improvements other than Buildings	25-50 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	5-15 years
General Purpose Computers	3 years

The range of estimated useful lives by type of asset held by the Hospital is as follows:

Land Improvements	8-20 years
Buildings	10-40 years
Fixed Equipment	5-20 years
Moveable Equipment	3-20 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Postemployment Benefits Other Than Pensions (OPEB)**

Under the provisions of the various employee and union contracts, the City provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

**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.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would typically be used to liquidate the compensated absences.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, but also includes various other obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Net Pension Asset/Liability**

The net pension asset represents the City of Windom and Windom Fire Department Relief Association's net pension asset as of the most recent actuarial measurement date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

PERA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds and OPEB plan in which City employees participate.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes, special assessments, loans receivable, and other receivables as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds and OPEB plan in which City employees participate.

See Notes 3, 5, and 6 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension and OPEB activities.

**Equity Classifications**

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2021 consist of prepaid expenditures, property held for sale, and the portion of loans receivable that has not been deferred.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balance has not been formally delegated by the City Council.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City strives to maintain a minimum unrestricted general fund balance of not less than 35% or more than 60% of the following year’s budgeted general fund expenditures.

See Note 2.E. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described previously.

**1.F. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Tax**

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Cottonwood County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

November 30<sup>th</sup> is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable include the past six years’ uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related to financing, noncapital financing, or investing activities.

**Hospital Operating Revenues**

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 \$81,000 for the year ended April 30, 2021.



**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

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.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service
Proprietary Fund - By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.D.

**NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

**2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.    CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2021, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance and collateral held by the City’s agent in the City’s name.

**Investments**

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 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, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities 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. The City does not have any investment policies that would further limit investment choices.

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.    CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Investment balances at December 31, 2021 are as follows:

Deposit/Investment	Interest Rate	Maturity	Fair Value	S & P's Credit Rating	Percent of Total
Pooled Investments:					
Minnesota Municipal Money Market Funds	0.01-0.03	N/A	\$ 3,881,970	N/A	48.56
Minnesota Municipal Money Market - Limited Term Duration Funds	N/A	N/A	480,732	N/A	6.01
Non-Pooled Investments:					
Certificates of Deposit	0.10-1.85	<1 year	2,084,795	NR	26.07
Certificates of Deposit	0.25-1.80	1-5 years	<u>1,548,831</u>	NR	<u>19.36</u>
Totals			<u>\$ 7,996,328</u>		<u>100.00</u>

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- Concentration of Credit Risk is the risk associated with the magnitude of the City's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer. At December 31, 2021, the City did not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy to address interest rate risk.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2021:

- Certificates of Deposits of \$3,633,626 are considered to be level 2 investments.

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.    CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

The Minnesota Municipal Money Market investments (the 4M Fund) are held within an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The investment in the Minnesota Municipal Money Market Fund is not subject to the credit risk classifications as noted in paragraph 9 of the GASB Statement No. 72.

**Deposits and Investments Summary**

A reconciliation of cash and investments as shown on the Statements of Net Position for the City follows:

Carrying Amount of Deposits		\$	37,617,656
Investments			<u>7,996,328</u>
 Total		 \$	 <u><u>45,613,984</u></u>
 <i>Government-wide</i>			
Cash, Cash Equivalents, and Investments		\$	44,818,669
Restricted Cash			403,024
 <i>Discreetly Presented Component Unit</i>			
Cash, Cash Equivalents, and Investments			266,181
Restricted Cash			<u>126,110</u>
 Total		 \$	 <u><u>45,613,984</u></u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B.    CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance at 01/01/21	Additions	Disposals	Transfers	Balance at 12/31/21
<i>Governmental Activities:</i>					
Capital Assets not Being Depreciated					
Land	\$ 232,961	\$ -	\$ -	\$ -	\$ 232,961
Construction In Progress	551,664	272,003	-	(583,857)	239,810
Total Capital Assets not Being Depreciated	784,625	272,003	-	(583,857)	472,771
Capital Assets Being Depreciated					
Buildings and Improvements	13,422,056	11,563	-	651,316	14,084,935
Furniture and Equipment	208,689	-	-	-	208,689
Machinery and Equipment	8,977,775	339,099	-	(77,528)	9,239,346
Infrastructure	21,709,558	116,881	-	10,069	21,836,508
Total Capital Assets Being Depreciated	44,318,078	467,543	-	583,857	45,369,478
Less: Accumulated Depreciation					
Buildings and Improvements	(3,626,026)	(386,266)	-	29,850	(3,982,442)
Furniture and Equipment	(157,100)	(22,184)	-	-	(179,284)
Machinery and Equipment	(7,311,352)	(310,913)	-	-	(7,622,265)
Infrastructure	(10,667,636)	(533,894)	-	(29,850)	(11,231,380)
Total Accumulated Depreciation	(21,762,114)	(1,253,257)	-	-	(23,015,371)
Total Capital Assets Being Depreciated, Net	22,555,964	(785,714)	-	583,857	22,354,107
Capital Assets, Net	<u>\$ 23,340,589</u>	<u>\$ (513,711)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,826,878</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 353,554
Public Safety	295,559
Public Works	477,014
Parks and Recreation	40,653
Economic Development	<u>86,477</u>
Total Depreciation Expense	<u>\$ 1,253,257</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B.    CAPITAL ASSETS (Continued)**

	Balance at 01/01/21	Additions	Disposals	Transfers	Balance at 12/31/21
<i>Business-Type Activities:</i>					
Capital Assets not Being Depreciated					
Land	\$ 519,424	\$ -	\$ -	\$ -	\$ 519,424
Construction In Progress	18,137,187	361,634	-	(18,226,902)	271,919
Total Capital Assets not Being Depreciated	18,656,611	361,634	-	(18,226,902)	791,343
Capital Assets Being Depreciated					
Buildings and Improvements	28,531,160	337,103	-	14,636,285	43,504,548
Furniture and Equipment	14,477,811	159,000	-	-	14,636,811
Machinery and Equipment	14,694,194	313,969	(114,341)	3,590,617	18,484,439
Infrastructure	33,488,941	571,626	(8,713)	-	34,051,854
Total Capital Assets Being Depreciated	91,192,106	1,381,698	(123,054)	18,226,902	110,677,652
Less: Accumulated Depreciation					
Buildings and Improvements	(16,900,260)	(1,214,674)	-	-	(18,114,934)
Furniture and Equipment	(7,906,800)	(822,983)	-	-	(8,729,783)
Machinery and Equipment	(10,942,259)	(616,323)	114,341	-	(11,444,241)
Infrastructure	(16,149,646)	(1,290,055)	-	-	(17,439,701)
Total Accumulated Depreciation	(51,898,965)	(3,944,035)	114,341	-	(55,728,659)
Total Capital Assets Being Depreciated, Net	39,293,141	(2,562,337)	(8,713)	18,226,902	54,948,993
Capital Assets, Net	<u>\$ 57,949,752</u>	<u>\$ (2,200,703)</u>	<u>\$ (8,713)</u>	<u>\$ -</u>	<u>\$ 55,740,336</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    NONCURRENT LIABILITIES**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

**Debt Detail**

As of December 31, 2021, the long-term debt of the financial reporting entity consists of the following:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities:</i>				
General Obligation Bonds:				
GO Refunding Bonds, Series 2012A	\$ 980,000	0.55-2.20%	2023	\$ 165,000
GO Equipment Bonds, Series 2013B	615,000	0.70-1.90%	2023	150,000
GO Improvement Bonds, Series 2017A	2,870,000	3.00-3.25%	2039	2,625,000
GO Improvement Bonds, Series 2017C (2009A Refund)	830,000	2.00%	2025	485,000
GO Improvement Bonds, Series 2018A	1,015,000	3.00-3.40%	2026	750,000
GO Improvement Bonds, Series 2020B	3,135,000	2.25-3.00%	2041	3,135,000
GO Improvement Bonds, Series 2020C	345,000	2.00-3.00	2041	345,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,600,000	1.15-2.00%	2034	1,600,000
GO Refunding Bonds, Series 2020D (2016 Lease Refund)	1,680,000	1.15-2.00%	2037	1,680,000
Total Governmental Activities Debt				<u>\$ 10,935,000</u>
<i>Business-Type Activities:</i>				
General Obligation Bonds:				
GO Refunding Bonds, Series 2012A	\$ 680,000	0.55-2.20%	2023	\$ 70,000
GO Improvement Bonds, Series 2017A	1,150,000	3.00-3.25%	2039	1,020,000
GO Equipment - Telecom Upgrade	855,000	3.00%	2027	595,000
GO Equipment Certificates, Series 2018A	1,095,000	3.00-3.40%	2038	965,000
GO Improvement Bonds, Series 2020B	1,105,000	2.25-3.00%	2041	1,105,000
GO Refunding Bonds, Series 2020D (2011A Refund)	1,805,000	1.15-2.00%	2029	1,805,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,230,000	1.15-2.00%	2034	1,230,000
Total Business-Type Activities - GO Bonds				<u>6,790,000</u>
General Obligation Revenue Bonds:				
GO Revenue Hospital Bonds, Series 2014A	5,600,000	1.00%	2034	4,275,000
Communication System Annual Appropriation Refunding Bonds, Series 2020A	7,820,000	1.95%	2032	7,249,000
Total Business-Type Activities Revenue Bonds				<u>11,524,000</u>
Notes Payable:				
River Bluff Townhomes - Bank of the West	488,847	2.01%	2031	224,423
River Bluff Townhomes - MHFA	353,305	0.00%	2031	353,305
River Bluff Townhomes - GMHF	180,000	0.00%	2031	149,079
Water Purchase - Red Rock Rural Water System	230,000	0.00%	2023	38,334
CWRF Wastewater Treatment Plant	9,624,333	1.00%	2038	7,055,310
PPP Loan - Hospital	1,929,500	1.00%	2022	1,929,500
Total Business-Type Activities Notes Payable				<u>9,749,951</u>
Total Business-Type Activities Debt				<u>\$ 28,063,951</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2021:

Type of Debt	Balance 01/01/21	Additions	Deductions	Balance 12/31/21	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 13,295,000	\$ -	\$ (2,360,000)	\$ 10,935,000	\$ 915,000
Unamortized Bond Premium	402,091	-	(26,738)	375,353	-
Capital Lease Obligations	1,801,000	-	(1,801,000)	-	-
Notes Payable - Direct Borrowing	201,103	-	(201,103)	-	-
Compensated Absences	255,998	179,331	(156,514)	278,815	-
<b>Total</b>	<b>\$ 15,955,192</b>	<b>\$ 179,331</b>	<b>\$ (4,545,355)</b>	<b>\$ 11,589,168</b>	<b>\$ 915,000</b>
<b>Business-Type Activities:</b>					
General Obligation Bonds	\$ 8,390,000	\$ -	\$ (1,600,000)	\$ 6,790,000	\$ 570,000
General Obligation Revenue Bonds	14,425,000	-	(2,901,000)	11,524,000	836,000
Unamortized Bond Premium	381,901	-	(36,459)	345,442	-
Unamortized Bond Discount	(65,537)	-	7,411	(58,126)	-
Notes Payable - Direct Borrowing	8,220,264	2,199,407	(669,720)	9,749,951	2,607,911
Compensated Absences	421,394	175,753	(253,953)	343,194	-
<b>Total</b>	<b>\$ 31,773,022</b>	<b>\$ 2,375,160</b>	<b>\$ (5,453,721)</b>	<b>\$ 28,694,461</b>	<b>\$ 4,013,911</b>

Governmental activity debt is typically funded through Debt Service Fund, Economic Development Fund, and Capital Projects Fund. Business-Type activity debt is typically funded through the Wastewater Fund, Telecom Fund, Windom Area Health Fund, Water Fund, Arena Fund, and River Bluff Townhomes Fund. Compensated absences is funded through the funds to which the respective employees' wages are allocated.



**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements**

At December 31, 2021, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 915,000	\$ 259,138	\$ 1,174,138
2023	955,000	236,153	1,191,153
2024	805,000	214,105	1,019,105
2025	830,000	193,230	1,023,230
2026	730,000	173,005	903,005
2027-2031	2,905,000	629,539	3,534,539
2032-2036	2,545,000	307,169	2,852,169
2037-2041	1,250,000	66,957	1,316,957
Totals	<u>\$ 10,935,000</u>	<u>\$ 2,079,296</u>	<u>\$ 13,014,296</u>

Years Ending December 31,	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 570,000	\$ 161,071	\$ 731,071
2023	585,000	147,111	732,111
2024	555,000	133,276	688,276
2025	570,000	119,601	689,601
2026	570,000	105,751	675,751
2027-2031	2,080,000	349,187	2,429,187
2032-2034	1,245,000	164,557	1,409,557
2035-2041	615,000	30,550	645,550
Totals	<u>\$ 6,790,000</u>	<u>\$ 1,211,104</u>	<u>\$ 8,001,104</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    NONCURRENT LIABILITIES (Continued)**

Years Ending December 31,	Business-Type Activities		
	General Obligation Revenue Bonds		
	Principal	Interest	Total
2022	\$ 836,000	\$ 295,478	\$ 1,131,478
2023	856,000	276,250	1,132,250
2024	874,000	256,064	1,130,064
2025	896,000	234,904	1,130,904
2026	913,000	212,985	1,125,985
2027-2031	4,956,000	702,623	5,658,623
2032	<u>2,193,000</u>	<u>132,171</u>	<u>2,325,171</u>
Totals	<u>\$ 11,524,000</u>	<u>\$ 2,110,475</u>	<u>\$ 13,634,475</u>

Years Ending December 31,	Business-Type Activities		
	Notes Payable - Direct Borrowing		
	Principal	Interest	Total
2022	\$ 2,607,911	\$ 74,654	\$ 2,682,565
2023	678,158	75,371	753,529
2024	672,248	68,529	740,777
2025	681,679	61,588	743,267
2026	690,118	54,548	744,666
2027-2031	2,886,892	175,783	3,062,675
2032-2034	<u>1,532,945</u>	<u>91,012</u>	<u>1,623,957</u>
Totals	<u>\$ 9,749,951</u>	<u>\$ 601,485</u>	<u>\$ 10,351,436</u>

Interest expense totals \$851,697 in the Statement of Activities (included in Debt Service, Wastewater, Telecom, Windom Area Health, Water, Arena, and River Bluff Townhomes lines). Interest expenditures total \$324,167 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$566,188 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

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, 2021, the City had drawn \$8,909,643 of the total available loan.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    NONCURRENT LIABILITIES (Continued)**

The City’s remaining outstanding notes from direct borrowings related to business-type activities of \$765,141 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 total \$726,807. 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.

Hospital Issuances

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 semiannually. 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, 2021.

On May 4, 2020, the Hospital received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) for \$1,929,500. The loan accrues interest at 1% with principal and interest payments due monthly starting September 2021 for a period of eight months at which time the loan is due in full. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. The entire amount is included in the current maturities of long-term debt in the statement of net position. As of April 30, 2021, the loan had not been forgiven.

**2.D.    INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2021:

Major Funds	Transfers Out	Transfers In				Total
		Major Funds		Nonmajor Funds		
		General	Debt Service	Governmental	Proprietary	
General	\$ 278,837	\$ -	\$ 248,188	\$ -	\$ 30,649	\$ 278,837
Wastewater	42,647	750	33,272	8,625	-	42,647
Electric	200,750	175,750	-	25,000	-	200,750
Telecom	2,250	2,250	-	-	-	2,250
	<u>524,484</u>	<u>178,750</u>	<u>281,460</u>	<u>33,625</u>	<u>30,649</u>	<u>524,484</u>
<b>Nonmajor Funds</b>						
Water	83,923	750	71,338	11,835	-	83,923
Liquor	100,000	70,000	-	30,000	-	100,000
Multi-Purpose Center	40,843	40,843	-	-	-	40,843
	<u>224,766</u>	<u>111,593</u>	<u>71,338</u>	<u>41,835</u>	<u>-</u>	<u>224,766</u>
<b>Total</b>	<u>\$ 749,250</u>	<u>\$ 290,343</u>	<u>\$ 352,798</u>	<u>\$ 75,460</u>	<u>\$ 30,649</u>	<u>\$ 749,250</u>

**CITY OF WINDOM, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    INTERFUND TRANSACTIONS AND BALANCES (Continued)**

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at year-end are as follows:

Short-Term Balances			
Due To Fund	Due From Fund	Amount	Purpose
General	Debt Service	\$ 243,051	Eliminate negative cash
Electric	Telecom	<u>307,939</u>	Eliminate negative cash
Total Interfund Balances		550,990	
Governmental Fund Elimination		(243,051)	
Business-type fund elimination		<u>(307,939)</u>	
Total Government-Wide Internal Balances		<u><u>\$ -</u></u>	

Interfund balances are to be repaid as cash flows become available.

**2.E.    FUND EQUITY**

At December 31, 2021, governmental fund equity consists of the following:

General Fund		
Nonspendable - Inventory	\$ 29,660	
Restricted for Lions Club Park Shelter	53,760	
Committed for Donations - Fire, Well, and Park	74,169	
Committed for Equipment	7,586	
Assigned for Airport	226,548	
Assigned for Capital Projects	567,787	
Assigned for Dilapidated Housing Program Fund	18,515	
Assigned for Library	226,472	
Assigned for Police Donations and Forfeits	3,105	
Assigned for Pool	79,302	
Assigned for Sick Pay At Retirement	206,725	
Unassigned	<u>2,846,064</u>	
Total General Fund Balance	<u><u>\$ 4,339,693</u></u>	
Debt Service Fund		
Restricted for Debt Service	<u><u>\$ 865,540</u></u>	

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.E.    FUND EQUITY (Continued)**

Nonmajor Governmental Funds	
Nonspendable - Property Held for Sale	\$       366,380
Nonspendable - Loans Receivable, Net of Deferral	122,690
Restricted for Economic Development	1,278,801
Restricted for Capital Projects	788,272
Assigned for Public Safety - Ambulance	<u>1,846,830</u>
 Total Nonmajor Governmental Funds Balance	 <u>\$       4,402,973</u>

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**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.

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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.

**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.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

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 equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. 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. 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.

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 ten years up to 100 percent after twenty 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.

Benefit increases are provided to benefit recipients each January. 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. 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.

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021 were \$805,763. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in the fiscal year 2021 and the City was required to contribute 17.7 percent for the Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021 were \$132,983. The City's contributions were equal to the required contributions as set by State Statute.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$7,876,115 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. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$190,326. The net pension liability was measured as of June 30, 2021, 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 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, 2020, through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1421 percent at the end of the measurement period and 0.1382 percent for the beginning of the period.

City's proportionate share of the net pension liability:	\$7,876,115
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>190,326</u>
Total	<u>\$8,066,441</u>

For the year ended December 31, 2021, the City recognized pension expense of \$552,266 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$20,778 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 66,550	\$ 72,216
Changes in actuarial assumptions	972,578	266,292
Difference between projected and actual investment earnings	-	1,277,685
Changes in proportionate share	271,092	25,325
Contributions paid to PERA subsequent to the measurement date	<u>616,706</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 1,926,926</u>	<u>\$ 1,641,518</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

The \$616,706 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2022	\$ (344,587)
2023	\$ 73,356
2024	\$ 164,393
2025	\$ (224,460)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$416,051 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0539 percent at the end of the measurement period and 0.0549 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. 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 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer 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 \$9 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, 2021, the City recognized pension expense of \$18,508 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$3,405 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$4,851 for the year ended December 31, 2021 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 the net pension liability:	\$416,051
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>18,697</u>
Total	<u>\$434,748</u>



**CITY OF WINDOM, MINNESOTA**  
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**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

At December 31, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 80,317	\$ -
Changes in actuarial assumptions	611,485	232,830
Difference between projected and actual investment earnings	-	793,643
Changes in proportionate share	15,891	38,552
Contributions paid to PERA subsequent to the measurement date	67,554	-
Total Deferred Outflows/Inflows	\$ 775,247	\$ 1,065,025

The \$67,554 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2022	\$ (286,158)
2023	\$ (56,682)
2024	\$ (55,473)
2025	\$ (90,693)
2026	\$ 131,674

**Long-Term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10 %
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. 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 most recent four-year experience studies for the Police and Fire Plan were completed in 2020 and were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the previous valuation.

**Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.50 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.

**Pension Liability Sensitivity**

The following table 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:

	Sensitivity Analysis			
	General Employees Fund		Police and Fire Fund	
1% Decrease in Discount Rate	5.50%	\$ 13,318,509	5.50%	\$ 1,320,891
Current Discount Rate	6.50%	\$ 7,876,115	6.50%	\$ 416,051
1% Increase in Discount Rate	7.50%	\$ 3,393,796	7.50%	\$ (325,694)

**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](http://www.mnpera.org).

**NOTE 4    DEFINED CONTRIBUTION PENSION PLAN – STATEWIDE**

Ambulance service personnel and certain Council members 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.

**CITY OF WINDOM, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 DEFINED CONTRIBUTION PENSION PLAN – STATEWIDE (Continued)**

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. 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 contributions 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 two 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 during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$15,100	\$15,100	5%	5%	5%

**NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION**

**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 the most recent valuation date, membership includes 32 active participants and 2 inactive members who are entitled to future benefits. The plan issues a stand-alone financial statement.

**Benefits Provided**

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, 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.

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.

*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.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 5    DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (Continued)**

**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 plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$51,869 in fire state aid, which the City remitted to the Relief Association during the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. The City did not have a statutorily-required contribution to the plan for the year ended December 31, 2021.

**Pension Costs**

At December 31, 2021, the City of Windom reported a net pension asset of \$633,903 for the Fire Relief Association’s plan. The net pension asset was measured as of December 31, 2020, as determined by an actuarial valuation as of December 31, 2020.

For the year ended December 31, 2021, the City recognized pension expense of negative \$18,187 for the Association. The City also recognized \$49,930, as pension expense (and grant revenue) for State of Minnesota’s contributions to the Association during the measurement period.

The following table presents the changes in net pension asset during the measurement period.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning Balance 12/31/19	\$ 626,085	\$ 1,176,897	\$ (550,812)
Service Cost	39,234	-	39,234
Interest on Pension Liability	41,582	-	41,582
Difference Between Expected and Actual Experience	(57,405)	-	(57,405)
Assumption Changes	17,815	-	17,815
Contributions (State)	-	49,930	(49,930)
Asset (Gain)/Loss	-	75,587	(75,587)
Administrative Fee	-	(1,200)	1,200
Net Changes	<u>41,226</u>	<u>124,317</u>	<u>(83,091)</u>
Balance End of Year 12/31/20	<u>\$ 667,311</u>	<u>\$ 1,301,214</u>	<u>\$ (633,903)</u>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (Continued)**

At December 31, 2021, the City of Windom reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 84,535
Changes in actuarial assumptions	28,686	4,378
Difference between projected and actual investment earnings	-	34,916
Total Deferred Outflows/Inflows	\$ 28,686	\$ 123,829

Amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2022	\$ (22,659)
2023	\$ (1,303)
2024	\$ (41,820)
2025	\$ (10,409)
2026	\$ (3,055)
2027-2031	\$ (15,897)

**Actuarial Assumptions**

The total pension asset measured at December 31, 2020 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	5.75%
Expected Long-Term Rate of Return	5.75%
Inflation Rate	2.25%
Interest on Deferred Amounts	0.00%

Changes to actuarial assumptions since the prior valuation:

- The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions.
- The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.25%.

Changes to plan provisions since the prior valuation:

- No changes.

**CITY OF WINDOM, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5    DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (Continued)**

**Pension Liability Sensitivity**

The following presents the City’s net pension asset for the Fire Relief Association’s plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	<u>1% Decrease in Discount Rate (4.75%)</u>	<u>Discount Rate (5.75%)</u>	<u>1% Increase in Discount Rate (6.75%)</u>
Net Pension Asset	\$            606,824	\$            633,903	\$            660,168

**Plan Investments**

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.75%. The target allocation and best estimates of geometric real rates of return for each major asset class of the Association’s pension fund investments are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	52.15%	4.90%
International Equity	12.54%	5.32%
Fixed Income	16.83%	1.40%
Real Estate and Alternatives	1.16%	4.43%
Cash and Cash Equivalents	17.32%	0.09%

**Pension Plan Fiduciary Net Position**

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 6    POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**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 as of the most recent plan valuation date. 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.

**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.

**CITY OF WINDOM, MINNESOTA  
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**NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The City is legally required to include any retirees for who it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City’s younger and statistically healthier active employees.

**Contributions**

The City has historically funded these liabilities on a pay-as-you-go basis, in the amounts contractually required to satisfy the benefit terms discussed above. For the year ended December 31, 2021, the City did not make any direct contributions to the plan, but an implicit rate subsidy was calculated in the amount of \$42,978.

**Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources**

At December 31, 2021, the City reported a net OPEB liability of \$673,284 for the City’s plan. The net OPEB liability was measured as of December 31, 2020, based on an actuarial valuation as of December 31, 2019.

For the year ended December 31, 2021, the City recognized OPEB expense of \$52,195. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 60,116
Contributions paid subsequent to the measurement date	42,978	-
Total Deferred Outflows/Inflows	\$ 42,978	\$ 60,116

The \$42,978 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amount reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	OPEB Expense
2022	\$ (12,023)
2023	\$ (12,023)
2024	\$ (12,023)
2025	\$ (12,023)
2026	\$ (12,024)



**CITY OF WINDOM, MINNESOTA  
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**NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Changes in the Net OPEB Liability**

The following table summarizes changes in the net OPEB liability for the year ended December 31, 2021:

	City of Windom		Windom Area	Total
	December 31, 2021	December 31, 2021	Health April 30, 2021	
Changes in Total OPEB Liability (TOL)				
Balance at Beginning of Year	\$ 486,413	\$ 175,979	\$ 662,392	
Service Cost	44,178	20,796	64,974	
Interest Cost	14,023	6,592	20,615	
Changes in Assumptions	36,305	(21,700)	14,605	
Differences between Expected and Actual Experience	-	(47,998)	(47,998)	
Benefit Payments	(41,304)	-	(41,304)	
Balance at End of Year	<u>\$ 539,615</u>	<u>\$ 133,669</u>	<u>\$ 673,284</u>	

**Actuarial Assumptions**

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Actuarial Information:

Valuation Date	December 31, 2019
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal, level percentage of pay
Actuarial Assets	None

Actuarial Assumptions:

Discount Rate	2.00%
Inflation	2.50%
Bond Yield	2.00%
Medical Trend Rate	6.20% for 2020 gradually decreasing to an ultimate rate of 4.00% by 2075 and later years
Dental Trend Rate	None

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

Changes to actuarial assumptions since the prior valuation:

- The discount rate was changed from 2.75% to 2.00%.

Changes to plan provisions since the prior valuation:

- No changes.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Net OPEB Liability Sensitivity**

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the City's net 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:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	3.00%	\$ 614,082
Current Discount Rate	2.00%	\$ 673,284
1% Decrease in Discount Rate	1.00%	\$ 738,193

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Cost Trend Rates	
	Amounts
1% Increase in Healthcare Trend Rates	\$ 780,888
Current Healthcare Trend Rates	\$ 673,284
1% Decrease in Healthcare Trend Rates	\$ 584,540

**NOTE 7 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 51% for the year ended 2021, and revenue from the Medicaid programs accounted for approximately 8% for the year ended 2021, 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 2021 net patient service revenue increased approximately \$83,000 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.

**CITY OF WINDOM, MINNESOTA  
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**NOTE 7 NET PATIENT SERVICE REVENUE AND RECEIVABLES (Continued)**

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.

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

	2021
Gross Patient Service Revenue	\$ 40,147,545
<i>Adjustments and Discounts:</i>	
Medicare	(11,575,824)
Medicaid	(3,037,971)
Other	(3,463,464)
Provisions for Bad Debt	(528,152)
Total Adjustments and Discounts	(18,605,411)
 Net Patient Service Revenue	 \$ 21,542,134

Patient accounts receivable reported as current assets by the Hospital at April 30, 2021 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	\$ 1,844,918
Receivable from Medicare	1,471,671
Receivable from Medicaid	395,998
Total Patient Accounts Receivable	3,712,587
Less: Allowance for Uncollectible Amounts	(441,000)
 Net Patient Accounts Receivable	 \$ 3,271,587

**NOTE 8 OTHER NOTES**

**8.A. RISK MANAGEMENT**

**Claims and Judgements**

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. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The City's management is not aware of any incurred but not reported claims.

**Hospital - 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.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 8 OTHER NOTES (Continued)**

**8.A. RISK MANAGEMENT (Continued)**

**Hospital - Compliance**

The health care 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.

**Public Health Emergency**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any significant negative effects on its operations.

**8.B. COMMITMENTS AND CONTINGENCIES**

**Hospital - 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:

Year Ended April 30,	Amount
2022	\$ 293,580
2023	293,580
2024	146,790
Total	<u>\$ 733,950</u>

Total rent expense associated with the operating leases for the year ended April 30, 2021 was approximately \$584,000.

**Hospital – 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 \$310,758 year ended April 30, 2021.

The Hospital also purchases certain services, supplies and other items through Sanford’s network. Amount due to Sanford was \$110,000 at April 30, 2021.

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.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 8 OTHER NOTES (Continued)**

**8.C. TAX INCREMENT FINANCING DISTRICTS**

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance with the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is generally returned to the business to finance the debt incurred for the related improvements. Under the City's existing districts, tax abatements are scheduled to occur through the 2046 calendar year. For the year ended December 31, 2021, the City made payments of excess tax increment in the amount of \$439,684. The total outstanding balance of pay-as-you-go debt being financed via these tax increment payments approximates \$2,014,000 as of December 31, 2021. No other commitments were made by the City as part of these agreements.

**8.D. OTHER EMPLOYEE BENEFITS**

The City provides eligible employees future retirement benefits through participation in the Minnesota Deferred Compensation Plan (MNDCP), which is a Section 457 plan administered by the Minnesota State Retirement System. Eligible employees of the City may begin participating in the MNDCP commencing on the date of their employment by electing to have a portion of their pay contributed to the Plan. The City does not make employer contributions to the plan.

**8.E. NEW ACCOUNTING STANDARD**

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. GASB 87 will be effective for the City's fiscal year ended December 31, 2022. The effect on net position will likely be significant.

**8.F. SUBSEQUENT EVENTS**

Subsequent to year-end and prior to the issuance of these financial statements, the City's EDA executed an agreement for the acquisition of property in the amount of \$1,150,000. Such acquisition is being funded via tax increment financing dollars under a TIF Spending Plan adopted by the EDA.

Subsequent to year-end and prior to the issuance of these financial statements, Windom Area Health (the Hospital) completed two large projects related to updating the air handling system and renovating the emergency department. Costs incurred for these projects approximated \$1.5 million each.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WINDOM, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>REVENUES</b>			
<b>Taxes</b>			
Property Taxes	\$ 1,065,403	\$ 1,111,886	\$ 46,483
Hotel/Motel Taxes	50,000	55,712	5,712
<b>Total Taxes</b>	<u>1,115,403</u>	<u>1,167,598</u>	<u>52,195</u>
<b>Special Assessments</b>	-	10,135	10,135
<b>Licenses and Permits</b>	65,170	61,671	(3,499)
<b>Intergovernmental Revenue</b>			
Federal Revenue			
Coronavirus Relief Funds	239,656	286,336	46,680
State Revenue			
Local Government Aid	1,645,752	1,645,814	62
Police and Fire Aid	128,000	128,474	474
Other State Grants and Aids	155,500	137,878	(17,622)
Local Revenue			
Other Local Grants	20,000	18,292	(1,708)
<b>Total Intergovernmental Revenue</b>	<u>2,188,908</u>	<u>2,216,794</u>	<u>27,886</u>
<b>Charges for Services</b>			
General Government	32,500	36,433	3,933
Police and Fire Contracts	197,885	224,209	26,324
Libraries	500	504	4
Parks and Recreation	56,100	59,121	3,021
Airports	105,750	122,017	16,267
Other Service Charges	5,000	17,375	12,375
<b>Total Charges for Services</b>	<u>397,735</u>	<u>459,659</u>	<u>61,924</u>
<b>Fines and Forfeitures</b>	15,500	9,575	(5,925)
<b>Miscellaneous Revenue</b>			
Investment Earnings	25,000	38,634	13,634
Sale of Assets	-	27,982	27,982
Contributions and Donations	7,000	90,418	83,418
Other Miscellaneous	20,000	20,392	392
<b>Total Miscellaneous Revenue</b>	<u>52,000</u>	<u>177,426</u>	<u>125,426</u>
<b>TOTAL REVENUES</b>	3,834,716	4,102,858	268,142

**CITY OF WINDOM, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>EXPENDITURES</b>			
<b>General Government</b>			
Mayor and Council	\$ 126,800	\$ 113,959	\$ (12,841)
Administration and Finance	137,025	146,712	9,687
Other General Government	36,295	34,175	(2,120)
Capital Outlay	<u>(48,500)</u>	<u>1,258</u>	<u>49,758</u>
<b>Total General Government</b>	251,620	296,104	44,484
<b>Public Safety</b>			
Police			
Current	1,270,336	1,327,789	57,453
Capital Outlay	22,345	27,786	5,441
Fire			
Current	177,901	193,937	16,036
Capital Outlay	75,000	242,000	167,000
Other Public Safety			
Current	163,793	149,215	(14,578)
Capital Outlay	<u>5,000</u>	<u>14,627</u>	<u>9,627</u>
<b>Total Public Safety</b>	1,714,375	1,955,354	240,979
<b>Public Works</b>			
Street Maintenance and Storm Sewers	566,624	488,251	(78,373)
Street Lighting	22,000	18,230	(3,770)
Capital Outlay - Street Construction	-	8,500	8,500
Capital Outlay - Other	<u>25,000</u>	<u>102,711</u>	<u>77,711</u>
<b>Total Public Works</b>	613,624	617,692	4,068
<b>Sanitation</b>			
Garbage and Other Refuse	22,000	22,426	426
<b>Culture and Recreation</b>			
Libraries			
Current	216,481	206,470	(10,011)
Capital Outlay	11,563	11,563	-
Parks and Recreation			
Current	377,214	370,445	(6,769)
Capital Outlay	<u>25,000</u>	<u>25,602</u>	<u>602</u>
<b>Total Culture and Recreation</b>	630,258	614,080	(16,178)
<b>Housing and Economic Development</b>			
Housing and Urban Redevelopment			
Current	20,000	2,500	(17,500)



**CITY OF WINDOM, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
<b>Miscellaneous Expenditures</b>			
Airports			
Current	123,508	139,259	15,751
Capital Outlay	<u>155,000</u>	<u>70,758</u>	<u>(84,242)</u>
<b>Total Miscellaneous Expenditures</b>	<u>278,508</u>	<u>210,017</u>	<u>(68,491)</u>
<b>TOTAL EXPENDITURES</b>	<u>3,530,385</u>	<u>3,718,173</u>	<u>187,788</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 304,331	\$ 384,685	\$ 80,354
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers			
From Other Funds	274,000	290,343	16,343
To Other Funds	<u>(317,837)</u>	<u>(278,837)</u>	<u>39,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(43,837)</u>	<u>11,506</u>	<u>55,343</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 260,494</u>	396,191	<u>\$ 135,697</u>
<b>FUND BALANCE - BEGINNING</b>		<u>3,943,502</u>	
<b>FUND BALANCE - ENDING</b>		<u>\$ 4,339,693</u>	

**CITY OF WINDOM, MINNESOTA**  
**SCHEDULE OF CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>General Employees Retirement Pension Plan</i></b>							
2021	0.1421%	\$ 7,876,115	\$ 190,326	\$ 8,066,441	\$ 10,545,412	76.49%	87.0%
2020	0.0353%	\$ 7,805,506	\$ 242,109	\$ 8,047,615	\$ 10,039,460	80.16%	79.1%
2019	0.0351%	\$ 7,499,285	\$ 242,689	\$ 7,741,974	\$ 9,818,915	78.85%	80.2%
2018	0.0359%	\$ 8,439,358	\$ 146,437	\$ 8,585,795	\$ 9,238,069	92.94%	79.5%
2017	0.0366%	\$ 10,074,407	\$ 29,380	\$ 10,103,787	\$ 8,685,475	116.33%	75.9%
2016	0.0370%	\$ 8,243,742	\$ 39,236	\$ 8,282,978	\$ 8,309,488	99.68%	68.9%
2015	0.0450%	\$ 2,098,920	\$ -	\$ 2,098,920	\$ 2,378,626	88.24%	78.2%
<b><i>Public Employees Police and Fire Pension Plan</i></b>							
2021	0.0539%	\$ 416,051	\$ 18,697	\$ 434,748	\$ 685,944	63.38%	93.7%
2020	0.0549%	\$ 723,641	\$ 17,050	\$ 740,691	\$ 619,078	119.64%	87.2%
2019	0.0571%	\$ 607,890	\$ -	\$ 607,890	\$ 601,744	101.02%	89.3%
2018	0.0556%	\$ 587,634	\$ -	\$ 587,634	\$ 585,592	100.35%	88.8%
2017	0.0560%	\$ 756,067	\$ -	\$ 756,067	\$ 570,375	132.56%	85.4%
2016	0.0547%	\$ 2,207,246	\$ -	\$ 2,207,246	\$ 526,951	418.87%	63.9%
2015	0.0550%	\$ 624,929	\$ -	\$ 624,929	\$ 506,666	123.34%	86.6%

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF WINDOM, MINNESOTA**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Pension Plan</i></b>					
2021	\$ 805,763	\$ 805,763	\$ -	\$ 10,900,266	7.39%
2020	\$ 758,188	\$ 758,188	\$ -	\$ 10,109,173	7.50%
2019	\$ 754,870	\$ 754,870	\$ -	\$ 10,064,933	7.50%
2018	\$ 668,485	\$ 668,485	\$ -	\$ 8,913,133	7.50%
2017	\$ 629,920	\$ 629,920	\$ -	\$ 8,398,933	7.50%
2016	\$ 603,670	\$ 603,670	\$ -	\$ 8,048,933	7.50%
2015	\$ 597,569	\$ 597,569	\$ -	\$ 7,967,587	7.50%
<b><i>Public Employees Police and Fire Pension Plan</i></b>					
2021	\$ 132,983	\$ 132,983	\$ -	\$ 751,316	17.70%
2020	\$ 116,514	\$ 116,514	\$ -	\$ 658,271	17.70%
2019	\$ 106,463	\$ 106,463	\$ -	\$ 628,100	16.95%
2018	\$ 94,866	\$ 94,866	\$ -	\$ 585,592	16.20%
2017	\$ 92,401	\$ 92,401	\$ -	\$ 570,375	16.20%
2016	\$ 85,366	\$ 85,366	\$ -	\$ 526,951	16.20%
2015	\$ 82,258	\$ 82,258	\$ -	\$ 507,766	16.20%
<b><i>Volunteer Fire Relief Association</i></b>					
2021	\$ -	\$ -	\$ -	N/A	N/A
2020	\$ -	\$ -	\$ -	N/A	N/A
2019	\$ -	\$ -	\$ -	N/A	N/A
2018	\$ -	\$ -	\$ -	N/A	N/A
2017	\$ -	\$ -	\$ -	N/A	N/A
2016	\$ -	\$ -	\$ -	N/A	N/A
2015	\$ -	\$ -	\$ -	N/A	N/A

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF WINDOM, MINNESOTA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**FIRE RELIEF ASSOCIATION**  
**LAST TEN YEARS (Presented Prospectively)**

	Measurement Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
<b>Changes in Total Pension Liability (TPL)</b>						
Balance at January 1st	\$ 626,085	\$ 663,548	\$ 847,979	\$ 851,896	\$ 819,356	\$ 741,333
Service Cost	39,234	36,666	32,592	29,294	30,656	28,015
Interest on the TPL	41,582	37,162	48,213	57,717	53,502	50,008
Assumption Changes	17,815	(5,407)	14,428	2,231	2,182	-
Differences Between Expected and Actual Experience	(57,405)	-	(2,014)	(62,246)	-	-
Changes in Benefit Terms	-	55,799	-	21,337	-	-
Benefit Payments	-	(161,683)	(277,650)	(52,250)	(53,800)	-
Balance at December 31st	<u>\$ 667,311</u>	<u>\$ 626,085</u>	<u>\$ 663,548</u>	<u>\$ 847,979</u>	<u>\$ 851,896</u>	<u>\$ 819,356</u>
<b>Plan Fiduciary Net Position (PFNP)</b>						
Balance at January 1st	\$ 1,176,897	\$ 1,079,224	\$ 1,390,150	\$ 1,211,976	\$ 1,133,396	\$ 1,113,829
Fire State Aid	49,930	50,148	52,244	49,576	49,132	49,942
Municipal Contributions	-	-	-	-	-	5,000
Projected Investment Income	75,587	214,558	(121,123)	187,248	87,136	(34,324)
Donations and Other Income	-	-	39,953	-	-	-
Total Additions	<u>125,517</u>	<u>264,706</u>	<u>(28,926)</u>	<u>236,824</u>	<u>136,268</u>	<u>20,618</u>
Benefit Payments	-	(161,683)	(277,650)	(52,250)	(53,800)	-
Administrative Expenses	(1,200)	(5,350)	(4,350)	(6,400)	(3,888)	(1,051)
Total Reductions	<u>(1,200)</u>	<u>(167,033)</u>	<u>(282,000)</u>	<u>(58,650)</u>	<u>(57,688)</u>	<u>(1,051)</u>
Balance at December 31st	<u>\$ 1,301,214</u>	<u>\$ 1,176,897</u>	<u>\$ 1,079,224</u>	<u>\$ 1,390,150</u>	<u>\$ 1,211,976</u>	<u>\$ 1,133,396</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (633,903)</u>	<u>\$ (550,812)</u>	<u>\$ (415,676)</u>	<u>\$ (542,171)</u>	<u>\$ (360,080)</u>	<u>\$ (314,040)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	195%	188%	163%	164%	142%	138%

Note: The schedule is provided prospectively beginning with the measurement period ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF WINDOM, MINNESOTA**  
**SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

	Measurement Year Ended December 31,			
	2020	2019	2018	2017
<b>Changes in Total OPEB Liability (TOL)</b>				
Balance at January 1st	\$ 662,392	\$ 481,774	\$ 384,192	\$ 360,022
Service Cost	64,974	43,988	46,569	25,246
Interest Cost	20,615	18,936	18,144	14,108
Differences between Expected and Actual Experience	(47,998)	106,848	-	-
Changes in Actuarial Assumptions	14,605	41,593	(49,273)	14,751
Benefit Payments	(41,304)	(30,747)	(42,141)	(29,935)
Adjustment	-	-	124,283	-
Net OPEB Liability - December 31st	<u>\$ 673,284</u>	<u>\$ 662,392</u>	<u>\$ 481,774</u>	<u>\$ 384,192</u>
Covered Payroll for Active Members	<u>\$ 11,621,132</u>	<u>\$ 2,995,324</u>	<u>\$ 2,915,407</u>	<u>\$ 9,238,069</u>
Net OPEB Liability / Covered Payroll	5.79%	22.11%	16.53%	4.16%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 (December 31, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF WINDOM, MINNESOTA**  
**SCHEDULE OF CITY OPEB CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Year Ended December 31	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 39,804	\$ 39,804	\$ -	\$ 3,875,087	1.0%
2020	\$ 30,747	\$ 30,747	\$ -	\$ 2,995,324	1.0%
2019	\$ 42,141	\$ 42,141	\$ -	\$ 2,915,407	1.4%
2018	\$ 29,935	\$ 29,935	\$ -	\$ 9,238,069	0.3%

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 1 BUDGETARY COMPARISON SCHEDULE**

Actual expenditures of the General Fund in the amount of \$3,718,173 exceeded budgeted amounts by \$187,788, largely due to capital outlay expenditures in excess of budget within the fire department. This capital outlay in excess of budget related primarily to the purchase of a fire truck, being financed partially by pre-existing reserves.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 years 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

Changes in Actuarial Assumptions

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

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.



**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

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.

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- 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 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested 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.

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- 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 Changes**

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 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

**NOTE 4 FIRE RELIEF ASSOCIATION**

**2020 Changes**

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions.
- The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.25%.

**2019 Changes**

Changes 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%.

**2018 Changes**

Changes in Actuarial Assumptions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 4 FIRE RELIEF ASSOCIATION (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

- No changes.

**2015 Changes**

Changes in Actuarial Assumptions

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

**NOTE 5 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**2020 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75% to 2.00%.

**2019 Changes**

Changes in Actuarial Assumptions

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

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed 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.

**2017 Changes**

Changes in Actuarial Assumptions

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

**SUPPLEMENTARY INFORMATION**

**CITY OF WINDOM, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	Special Revenue		Capital Project		Total Nonmajor Governmental Funds
	Economic Development Fund	Ambulance Fund	Capital Projects Fund	2020 Street Capital Project Fund	
	Fund	Fund	Fund	Fund	
<b>ASSETS</b>					
Cash, Cash Equivalents, and Investments	\$ 1,340,860	\$ 1,485,470	\$ 48,798	\$ 739,474	\$ 3,614,602
Assessments Receivable	15,246	-	-	922,797	938,043
Accounts Receivable	27	383,080	-	-	383,107
Property Held for Resale	366,380	-	-	-	366,380
Loans Receivable (Net)	<u>396,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,040</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,118,553</u>	<u>\$ 1,868,550</u>	<u>\$ 48,798</u>	<u>\$ 1,662,271</u>	<u>\$ 5,698,172</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 24,059	\$ 21,720	\$ -	\$ -	\$ 45,779
Unearned Revenue	<u>38,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,027</u>
Total Liabilities	62,086	21,720	-	-	83,806
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Special Assessments	15,246	-	-	922,797	938,043
Loans Receivable	<u>273,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,350</u>
Total Deferred Inflows of Resources	288,596	-	-	922,797	1,211,393
<b>FUND BALANCES</b>					
Nonspendable	489,070	-	-	-	489,070
Restricted	1,278,801	-	48,798	739,474	2,067,073
Assigned	<u>-</u>	<u>1,846,830</u>	<u>-</u>	<u>-</u>	<u>1,846,830</u>
Total Fund Balances	<u>1,767,871</u>	<u>1,846,830</u>	<u>48,798</u>	<u>739,474</u>	<u>4,402,973</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,118,553</u>	<u>\$ 1,868,550</u>	<u>\$ 48,798</u>	<u>\$ 1,662,271</u>	<u>\$ 5,698,172</u>

**CITY OF WINDOM, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue		Capital Project		Total Nonmajor Governmental Funds
	Economic Development Fund	Ambulance Fund	Capital Projects Fund	2020 Street Capital Project Fund	
	Fund	Fund	Fund	Fund	
<b>REVENUES</b>					
Taxes	\$ 131,428	\$ -	\$ 68,076	\$ 32,062	\$ 231,566
Tax Increment	791,802	-	-	-	791,802
Special Assessments	5,706	-	-	138,692	144,398
Intergovernmental	52,351	23,287	-	-	75,638
Charges for Services	55,339	825,635	-	-	880,974
Interest Income:					
Investments	4,491	4,930	-	-	9,421
Loans	21,337	-	-	-	21,337
Loan Collections - Township Portion	63,650	-	-	-	63,650
Miscellaneous	174,926	5,581	10,000	-	190,507
<b>TOTAL REVENUES</b>	<u>1,301,030</u>	<u>859,433</u>	<u>78,076</u>	<u>170,754</u>	<u>2,409,293</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	562,960	-	-	562,960
Public Works	-	-	999	-	999
Economic Development	1,010,968	-	-	-	1,010,968
Capital Outlay	9,310	222,244	-	4,316	235,870
Debt Service:					
Principal	356,103	-	84,000	-	440,103
Interest and Other Charges	30,452	-	40,265	114,320	185,037
<b>TOTAL EXPENDITURES</b>	<u>1,406,833</u>	<u>785,204</u>	<u>125,264</u>	<u>118,636</u>	<u>2,435,937</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(105,803)	74,229	(47,188)	52,118	(26,644)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Refunding Payment	-	-	(1,717,000)	-	(1,717,000)
Property Held for Sale - Market Adjustment	(596,785)	-	-	-	(596,785)
Transfers In	-	-	55,000	20,460	75,460
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(596,785)</u>	<u>-</u>	<u>(1,662,000)</u>	<u>20,460</u>	<u>(2,238,325)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(702,588)	74,229	(1,709,188)	72,578	(2,264,969)
<b>FUND BALANCES - BEGINNING</b>	<u>2,470,459</u>	<u>1,772,601</u>	<u>1,757,986</u>	<u>666,896</u>	<u>6,667,942</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,767,871</u>	<u>\$ 1,846,830</u>	<u>\$ 48,798</u>	<u>\$ 739,474</u>	<u>\$ 4,402,973</u>

**CITY OF WINDOM, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
<b>ASSETS</b>						
Current Assets						
Cash, Cash Equivalents, and Investments	\$ 1,520,629	\$ 723,967	\$ 84,288	\$ 409,576	\$ 181,208	\$ 2,919,668
Accounts Receivable	101,733	2,214	298	67	340	104,652
Inventory	<u>52,513</u>	<u>320,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,580</u>
Total Current Assets	1,674,875	1,046,248	84,586	409,643	181,548	3,396,900
Noncurrent Assets						
Capital Assets Not Being Depreciated	160,959	-	-	-	-	160,959
Capital Assets Being Depreciated (Net)	5,334,272	109,589	1,684,226	1,002,938	500,981	8,632,006
Assessments Receivable	<u>93,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,358</u>
Total Noncurrent Assets	<u>5,588,589</u>	<u>109,589</u>	<u>1,684,226</u>	<u>1,002,938</u>	<u>500,981</u>	<u>8,886,323</u>
<b>TOTAL ASSETS</b>	<u>7,263,464</u>	<u>1,155,837</u>	<u>1,768,812</u>	<u>1,412,581</u>	<u>682,529</u>	<u>12,283,223</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
OPEB	2,985	1,990	1,990	1,990	-	8,955
Pensions	<u>115,016</u>	<u>89,073</u>	<u>53,202</u>	<u>48,458</u>	<u>-</u>	<u>305,749</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	118,001	91,063	55,192	50,448	-	314,704
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	23,833	76,206	13,828	8,590	1,489	123,946
Other Current Liabilities	-	25,217	2,271	706	-	28,194
Unearned Revenue	-	2,385	-	4,300	7,946	14,631
Accrued Interest	20,801	-	12,460	-	351	33,612
Debt Due Within One Year	<u>164,150</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>20,411</u>	<u>229,561</u>
Total Current Liabilities	208,784	103,808	73,559	13,596	30,197	429,944
Noncurrent Liabilities						
Compensated Absences Due After One Year	46,176	26,635	24,583	4,204	-	101,598
Debt Due After One Year	2,067,839	-	960,422	-	706,396	3,734,657
Net OPEB Liability	40,471	26,981	26,981	26,981	-	121,414
Net Pension Liability	<u>156,230</u>	<u>119,648</u>	<u>71,665</u>	<u>64,873</u>	<u>-</u>	<u>412,416</u>
Total Noncurrent Liabilities	<u>2,310,716</u>	<u>173,264</u>	<u>1,083,651</u>	<u>96,058</u>	<u>706,396</u>	<u>4,370,085</u>
<b>TOTAL LIABILITIES</b>	2,519,500	277,072	1,157,210	109,654	736,593	4,800,029
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pensions	145,205	111,204	66,607	60,295	-	383,311
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,263,242	109,589	678,804	1,002,938	(225,826)	4,828,747
Unrestricted	<u>1,453,518</u>	<u>749,035</u>	<u>(78,617)</u>	<u>290,142</u>	<u>171,762</u>	<u>2,585,840</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,716,760</u>	<u>\$ 858,624</u>	<u>\$ 600,187</u>	<u>\$ 1,293,080</u>	<u>\$ (54,064)</u>	<u>\$ 7,414,587</u>



**CITY OF WINDOM, MINNESOTA**  
**COMBINING STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
<b>SALES AND COST OF SALES</b>						
Sales	\$ -	\$ 2,297,173	\$ -	\$ -	\$ -	\$ 2,297,173
Cost of Sales	-	(1,696,813)	-	(256)	-	(1,697,069)
Facility Use/Other Revenue	-	-	57,420	154,145	102,365	313,930
<b>GROSS PROFIT</b>	-	600,360	57,420	153,889	102,365	914,034
<b>OPERATING REVENUES</b>						
Charges for Services	1,306,276	-	-	-	-	1,306,276
<b>TOTAL GROSS PROFIT AND OPERATING REVENUES</b>	1,306,276	600,360	57,420	153,889	102,365	2,220,310
<b>OPERATING EXPENSES</b>						
Wages and Benefits	357,468	292,814	181,536	170,302	-	1,002,120
Materials and Supplies	71,445	10,061	24,556	34,074	6,935	147,071
Repairs and Maintenance	54,469	5,062	26,770	21,492	10,144	117,937
Professional Services	25,506	14,452	8,069	7,164	-	55,191
Licenses, Permits, and Fees	24,787	6,800	40	-	6,106	37,733
Insurance	16,923	23,737	13,834	12,418	10,309	77,221
Utilities	119,379	18,158	74,635	30,683	12,631	255,486
Miscellaneous	12,979	76,032	10,267	21,636	4,364	125,278
Depreciation and Amortization	422,735	27,126	79,809	58,600	28,082	616,352
<b>TOTAL OPERATING EXPENSES</b>	1,105,691	474,242	419,516	356,369	78,571	2,434,389
<b>NET OPERATING INCOME</b>	200,585	126,118	(362,096)	(202,480)	23,794	(214,079)
<b>NONOPERATING INCOME (EXPENSE)</b>						
Taxes	-	-	281,791	265,497	-	547,288
Special Assessments	8,270	-	-	-	-	8,270
Intergovernmental	2,034	295	176	160	-	2,665
Investment Income	960	2,115	1,076	1,253	8	5,412
Gain (Loss) on Sale of Assets	(8,635)	-	-	-	-	(8,635)
Miscellaneous	-	-	255,263	-	-	255,263
Interest and Other Charges	(49,745)	-	(30,581)	-	(5,447)	(85,773)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	(47,116)	2,410	507,725	266,910	(5,439)	724,490
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	153,469	128,528	145,629	64,430	18,355	510,411
<b>TRANSFERS</b>						
Operating Transfers In	-	-	30,649	-	-	30,649
Operating Transfers Out	(83,923)	(100,000)	-	(40,843)	-	(224,766)
<b>NET TRANSFERS</b>	(83,923)	(100,000)	30,649	(40,843)	-	(194,117)
<b>CHANGE IN NET POSITION</b>	69,546	28,528	176,278	23,587	18,355	316,294
<b>NET POSITION - BEGIN. OF YEAR</b>	4,647,214	830,096	423,909	1,269,493	(72,419)	7,098,293
<b>NET POSITION - END OF YEAR</b>	\$ 4,716,760	\$ 858,624	\$ 600,187	\$ 1,293,080	\$ (54,064)	\$ 7,414,587

**CITY OF WINDOM, MINNESOTA  
COMBINING STATEMENT CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	\$ 1,302,808	\$ 2,296,113	\$ 59,917	\$ 187,611	\$ 101,893	\$ 3,948,342
Cash Paid to Suppliers	(316,830)	(1,819,174)	(232,135)	(125,265)	(50,913)	(2,544,317)
Cash Paid to Employees	(343,227)	(285,883)	(177,826)	(184,402)	-	(991,338)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	642,751	191,056	(350,044)	(122,056)	50,980	412,687
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Taxes and Intergovernmental	-	295	281,967	265,657	-	547,919
Other Receipts from Customers	-	-	255,263	-	-	255,263
Net Operating Subsidies and Transfers from (to) Other Funds	(83,923)	(100,000)	30,649	(40,843)	-	(194,117)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(83,923)	(99,705)	567,879	224,814	-	609,065
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Assessments and Loans Receivable	13,326	-	-	-	-	13,326
Intergovernmental and Other	2,034	-	-	-	-	2,034
Purchases of Capital Assets	(145,674)	-	(264,617)	(90,763)	-	(501,054)
Payments on Debt Principal	(186,000)	-	(45,000)	-	(17,783)	(248,783)
Cash Paid for Interest	(36,742)	-	(31,134)	-	(5,534)	(73,410)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(353,056)	-	(340,751)	(90,763)	(23,317)	(807,887)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net Sales (Purchase) of Investments	-	-	(30,000)	50,000	-	20,000
Investment Income	1,057	2,357	1,433	1,619	8	6,474
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	1,057	2,357	(28,567)	51,619	8	26,474
Net Change in Cash and Cash Equivalents	206,829	93,708	(151,483)	63,614	27,671	240,339
Cash and Cash Equivalents - Beginning of Year	1,213,897	381,464	(117,793)	288,633	153,537	1,919,738
Cash and Cash Equivalents - End of Year	1,420,726	475,172	(269,276)	352,247	181,208	2,160,077
Investments	99,903	248,795	353,564	57,329	-	759,591
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,520,629</u>	<u>\$ 723,967</u>	<u>\$ 84,288</u>	<u>\$ 409,576</u>	<u>\$ 181,208</u>	<u>\$ 2,919,668</u>

**CITY OF WINDOM, MINNESOTA**  
**COMBINING STATEMENT CASH FLOWS (Continued)**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
<b>RECONCILIATION OF NET OPERATING INCOME</b>						
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>						
<b>OPERATING ACTIVITIES</b>						
Net Operating Income (Loss)	\$ 200,585	\$ 126,118	\$ (362,096)	\$ (202,480)	\$ 23,794	\$ (214,079)
Adjustments to Reconcile Net Operating Income						
(Loss) to Net Cash Provided (Used) by						
Operating Activities:						
Depreciation and Amortization	422,735	27,126	79,809	58,600	28,082	616,352
Changes in Assets, Liabilities, and Deferrals:						
Accounts Receivable	(3,468)	(1,873)	2,497	32,566	(15)	29,707
Inventory	(3,089)	20,251	-	-	-	17,162
Accounts Payable	11,747	(13,836)	10,669	1,752	(424)	9,908
Other Current Liabilities	-	25,526	(84,633)	706	-	(58,401)
Unearned Revenue	-	813	-	900	(457)	1,256
Net OPEB Liability	21,130	14,086	10,862	7,640	-	53,718
Net Pension Liability	10,426	(6,347)	(9,295)	(10,580)	-	(15,796)
Deferred Outflows of Resources - OPEB	(1,211)	(807)	(512)	(216)	-	(2,746)
Deferred Outflows of Resources - Pensions	(103,966)	(79,525)	(47,066)	(42,740)	-	(273,297)
Deferred Inflows of Resources - Pensions	99,473	79,189	46,634	38,850	-	264,146
Compensated Absences	(11,611)	335	3,087	(7,054)	-	(15,243)
<b>NET CASH PROVIDED (USED) BY</b>						
<b>OPERATING ACTIVITIES</b>	<u>\$ 642,751</u>	<u>\$ 191,056</u>	<u>\$ (350,044)</u>	<u>\$ (122,056)</u>	<u>\$ 50,980</u>	<u>\$ 412,687</u>

**CITY OF WINDOM, MINNESOTA  
SUPPLEMENTAL COMBINING BALANCE SHEET  
DEBT SERVICE FUND  
DECEMBER 31, 2021**

	4th Ave Improvement Bond Fund	2003 Street Improvement Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	2013 Street Improvement Bond Fund	2017 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Intrafund Activity	Total Debt Service Fund
<b>ASSETS</b>									
Cash, Cash Equivalents, and Investments	\$ -	\$ -	\$ -	\$ 41,488	\$ 416,349	\$ 602,941	\$ 44,035	\$ -	\$ 1,104,813
Assessments Receivable	-	-	-	38,818	409,173	340,650	35,143	-	823,784
Accounts Receivable	-	-	-	579	3,190	9	-	-	3,778
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,885</u>	<u>\$ 828,712</u>	<u>\$ 943,600</u>	<u>\$ 79,178</u>	<u>\$ -</u>	<u>\$ 1,932,375</u>
<b>LIABILITIES</b>									
Due to Other Funds	\$ 41,159	\$ -	\$ 201,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,051
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable Revenue: Special Assessments	-	-	-	38,818	409,173	340,650	35,143	-	823,784
<b>FUND BALANCE</b>									
Restricted	-	-	-	42,067	419,539	602,950	44,035	(243,051)	865,540
Unassigned	(41,159)	-	(201,892)	-	-	-	-	243,051	-
Total Fund Balance	<u>(41,159)</u>	<u>-</u>	<u>(201,892)</u>	<u>42,067</u>	<u>419,539</u>	<u>602,950</u>	<u>44,035</u>	<u>-</u>	<u>865,540</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,885</u>	<u>\$ 828,712</u>	<u>\$ 943,600</u>	<u>\$ 79,178</u>	<u>\$ -</u>	<u>\$ 1,932,375</u>

**CITY OF WINDOM, MINNESOTA**  
**SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	4th Ave Improvement Bond Fund	2003 Street Improvement Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	2013 Street Improvement Bond Fund	2017 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Intrafund Activity	Total Debt Service Fund
<b>REVENUES</b>									
Taxes	\$ 28,046	\$ -	\$ 55,215	\$ 48,605	\$ 95,963	\$ 84,561	\$ 31,630	\$ -	\$ 344,020
Special Assessments	-	-	198	17,996	76,182	49,467	-	-	143,843
Interest Income:									
Investments	-	-	-	-	24	117	-	-	141
<b>TOTAL REVENUES</b>	<u>28,046</u>	<u>-</u>	<u>55,413</u>	<u>66,601</u>	<u>172,169</u>	<u>134,145</u>	<u>31,630</u>	<u>-</u>	<u>488,004</u>
<b>EXPENDITURES</b>									
Current:									
General Government	-	-	-	-	1,500	-	475	-	1,975
Debt Service:									
Principal	30,800	-	75,000	115,000	145,000	125,000	59,200	-	550,000
Interest and Other Charges	753	-	4,524	11,705	39,967	83,575	2,358	-	142,882
<b>TOTAL EXPENDITURES</b>	<u>31,553</u>	<u>-</u>	<u>79,524</u>	<u>126,705</u>	<u>186,467</u>	<u>208,575</u>	<u>62,033</u>	<u>-</u>	<u>694,857</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,507)	-	(24,111)	(60,104)	(14,298)	(74,430)	(30,403)	-	(206,853)
<b>OTHER FINANCING SOURCES (USES)</b>									
Bond Refunding Payment	-	-	-	-	(1,655,000)	-	-	-	(1,655,000)
Transfers In	-	220,940	-	35,090	-	69,520	27,248	-	352,798
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>220,940</u>	<u>-</u>	<u>35,090</u>	<u>(1,655,000)</u>	<u>69,520</u>	<u>27,248</u>	<u>-</u>	<u>(1,302,202)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,507)	220,940	(24,111)	(25,014)	(1,669,298)	(4,910)	(3,155)	-	(1,509,055)
<b>FUND BALANCE - BEGINNING</b>	<u>(37,652)</u>	<u>(220,940)</u>	<u>(177,781)</u>	<u>67,081</u>	<u>2,088,837</u>	<u>607,860</u>	<u>47,190</u>	<u>-</u>	<u>2,374,595</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (41,159)</u>	<u>\$ -</u>	<u>\$ (201,892)</u>	<u>\$ 42,067</u>	<u>\$ 419,539</u>	<u>\$ 602,950</u>	<u>\$ 44,035</u>	<u>\$ -</u>	<u>\$ 865,540</u>

**CITY OF WINDOM, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/21	Issued	Paid	Outstanding Balance 12/31/21	Principal Due Within One Year
<b>GOVERNMENTAL INDEBTEDNESS</b>									
<u>General Obligation Bonds</u>									
GO Refunding Bonds, Series 2012A	2012	0.55-2.20%	2023	\$ 980,000	\$ 280,000	\$ -	\$ 115,000	\$ 165,000	\$ 80,000
GO Improvement Bonds, Series 2013A	2013	2.00-3.50%	2034	2,590,000	1,800,000	-	1,800,000	-	-
GO Equipment Bonds, Series 2013B	2013	0.70-1.90%	2023	615,000	220,000	-	70,000	150,000	75,000
GO Improvement Bonds, Series 2017A	2017	3.00-3.25%	2039	2,870,000	2,750,000	-	125,000	2,625,000	130,000
GO Improvement Bonds, Series 2017C (2009A Refund)	2017	2.00%	2025	830,000	600,000	-	115,000	485,000	115,000
GO Improvement Bonds, Series 2018A	2018	3.00-3.40%	2026	1,015,000	885,000	-	135,000	750,000	140,000
GO Improvement Bonds, Series 2020B	2020	2.25-3.00%	2041	3,135,000	3,135,000	-	-	3,135,000	135,000
GO Improvement Bonds, Series 2020C	2020	2.00-3.00	2041	345,000	345,000	-	-	345,000	15,000
GO Refunding Bonds, Series 2020D (2013A Refund)	2020	1.15-2.00%	2034	1,600,000	1,600,000	-	-	1,600,000	140,000
GO Refunding Bonds, Series 2020D (2016 Lease Refund)	2020	1.15-2.00%	2037	1,680,000	1,680,000	-	-	1,680,000	85,000
<i>Subtotal</i>				15,660,000	13,295,000	-	2,360,000	10,935,000	915,000
<u>Capital Lease Obligations</u>									
Lease Purchase - Emergency Services Facility	2016	2.79%	2037	2,034,000	1,801,000	-	1,801,000	-	-
<u>Notes Payable</u>									
Economic Development - Fulda Area Credit Union	2021	4.40%	2021	442,098	201,103	-	201,103	-	-
<b>TOTAL GOVERNMENTAL DEBTS</b>				18,136,098	15,297,103	-	4,362,103	10,935,000	915,000

**CITY OF WINDOM, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(UNAUDITED)**

**ENTERPRISE INDEBTEDNESS**

<u>General Obligation Bonds</u>									
GO Water & Sewer Revenue Bonds, Series 2011A	2011	1.00-4.00%	2021	3,090,000	2,100,000	-	2,100,000	-	-
GO Refunding Bonds, Series 2012A	2012	0.55-2.20%	2023	680,000	145,000	-	75,000	70,000	35,000
GO Improvement Bonds, Series 2013A	2013	2.00-3.50%	2021	1,810,000	1,345,000	-	1,345,000	-	-
GO Improvement Bonds, Series 2017A	2017	3.00-3.25%	2039	1,150,000	1,065,000	-	45,000	1,020,000	50,000
GO Equipment - Telecom Upgrade	2017	3.00%	2027	855,000	685,000	-	90,000	595,000	95,000
GO Equipment Certificates, Series 2018A	2018	3.00-3.40%	2038	1,095,000	1,010,000	-	45,000	965,000	45,000
GO Improvement Bonds, Series 2020B	2020	2.25-3.00%	2041	1,105,000	1,105,000	-	-	1,105,000	45,000
GO Refunding Bonds, Series 2020D (2011A Refund)	2020	1.15-2.00%	2029	1,805,000	1,805,000	-	-	1,805,000	215,000
GO Refunding Bonds, Series 2020D (2013A Refund)	2020	1.15-2.00%	2034	<u>1,230,000</u>	<u>1,230,000</u>	-	-	<u>1,230,000</u>	<u>85,000</u>
<i>Subtotal</i>				12,820,000	10,490,000	-	3,700,000	6,790,000	570,000
<u>General Obligation Revenue Bonds</u>									
GO Revenue Hospital Bonds, Series 2014A	2014	1.00%	2034	5,600,000	4,505,000	-	230,000	4,275,000	240,000
Communication System Refunding Bonds, Series 2020A	2020	1.95%	2032	<u>7,820,000</u>	<u>7,820,000</u>	-	<u>571,000</u>	<u>7,249,000</u>	<u>596,000</u>
<i>Subtotal</i>				13,420,000	12,325,000	-	801,000	11,524,000	836,000
<u>Notes Payable</u>									
River Bluff Townhomes - Bank of the West	2001	2.01%	2031	488,847	245,143	-	20,720	224,423	20,411
River Bluff Townhomes - MHFA	2001	0.00%	2031	353,305	353,305	-	-	353,305	-
River Bluff Townhomes - GMHF	2001	0.00%	2031	180,000	146,139	2,940	-	149,079	-
Water Purchase - Red Rock Rural Water System	2023	0.00%	2023	230,000	61,334	-	23,000	38,334	23,000
CWRF Wastewater Treatment Plant	2019	1.00%	2038	9,624,333	7,414,343	266,967	626,000	7,055,310	635,000
PPP Loan	2020	1.00%	2022	<u>1,929,500</u>	<u>-</u>	<u>1,929,500</u>	<u>-</u>	<u>1,929,500</u>	<u>1,929,500</u>
<i>Subtotal</i>				<u>12,805,985</u>	<u>8,220,264</u>	<u>2,199,407</u>	<u>669,720</u>	<u>9,749,951</u>	<u>2,607,911</u>
<b>TOTAL ENTERPRISE DEBTS</b>				<u>39,045,985</u>	<u>31,035,264</u>	<u>2,199,407</u>	<u>5,170,720</u>	<u>28,063,951</u>	<u>4,013,911</u>
<b>TOTAL INDEBTEDNESS</b>				<u>\$ 57,182,083</u>	<u>\$ 46,332,367</u>	<u>\$ 2,199,407</u>	<u>\$ 9,532,823</u>	<u>\$ 38,998,951</u>	<u>\$ 4,928,911</u>

## **OTHER REQUIRED REPORTS**



**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**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Windom's basic financial statements and have issued our report thereon dated June 13, 2022.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a material weakness: 2021-001.

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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2021-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*.

## **Minnesota Legal Compliance**

In connection with our audit, we noted that the City of Windom failed to comply with the provisions of the claims and disbursements section 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 as described in the *Schedule of Findings and Responses* as item 2021-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Windom failed to comply with the provisions of the contracting – bid laws, depositories of public funds and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## **City's Response to Findings**

The City of Windom's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

June 13, 2022

**CITY OF WINDOM, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001                      Financial Statement Preparation**

*Condition:*                      Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. It is management’s responsibility to provide for the preparation of financial statements and the auditor’s responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.

*Criteria:*                      Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:*                      The City’s staff either does not possess the expertise or the capacity to prepare financial statements internally. This is not unusual for an entity of your size.

*Effect:*                      The inability to internally prepare the City’s financial statements can result in undetected errors in financial reporting.

*Recommendation:*                      We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to eliminate this finding.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*                      Management agrees with the recommendation. See corresponding Corrective Action Plan.

**Finding 2021-002                      Liquor Inventory Controls**

*Condition:*                      During the year-end inventory count for the audit, errors were identified in quantities on-hand listed in the point-of-sale (POS) system for 12 of the 35 products selected during the inventory count. Although many of these errors were minor, this is potentially indicative of reporting errors on a larger scale throughout the municipal liquor store’s POS system.

*Criteria:*                      The City is required to report accurate financial data at year-end, which is dependent upon the accuracy of the municipal liquor store’s POS records.

*Cause:*                      The municipal liquor store has not implemented sufficient controls to ensure that errors in product quantities reported by the POS system are detected and corrected on a timely basis.

*Effect:*                      Errors in the POS system records result in inaccuracies in financial reporting.

*Recommendation:*                      We recommend the municipal liquor store implement recurring cycle counts for specific products throughout the year, with the goal of having each product physically counted at least once at some point each year. In this manner, errors may be detected and corrected on a more timely basis.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*                      Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF WINDOM, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**LEGAL COMPLIANCE FINDINGS**

**Finding 2021-003            Electronic Funds Transfers Policy & Annual Delegation**

*Condition:*                    The City does not have a formal, written policy that governs the controls to be implemented over payments that are made via electronic fund transfers (EFTs). Additionally, the City did not perform the annual delegation of authority to make EFTs required under Minnesota Statutes.

*Criteria:*                      *Minnesota Statutes* §471.38 requires cities to adopt various policy controls related to the use of EFTs to pay claims, including that on an annual basis the City’s Council shall delegate the authority to make EFTs to designated City personnel.

*Cause:*                         The City was unaware of this requirement.

*Effect:*                        The lack of a formal policy related to EFTs and corresponding annual delegation of authority has resulted in noncompliance with the Minnesota Statute referenced above.

*Recommendation:*        We recommend that management review *Minnesota Statutes* §471.38 and adopt a policy and practices that comply with the noted requirements.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF WINDOM, MINNESOTA  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001      Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Official Responsible  
Steve Nasby, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2021-002      Liquor Inventory Controls**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The municipal liquor store will implement recurring cycle counts for specific products throughout the year and will more closely monitor the accuracy of the POS system.
3. Official Responsible  
Steve Nasby, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2022.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**CITY OF WINDOM, MINNESOTA  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**LEGAL COMPLIANCE FINDINGS**

**Finding 2021-003      Electronic Funds Transfers Policy & Annual Delegation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will review *Minnesota Statutes* §471.38 and adopt a policy and practices that comply with the noted requirements.
3. Official Responsible  
Steve Nasby, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2022.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.