# City of Windom, Minnesota

## Audited Financial Statements

For the Year Ended
December 31, 2023

Schlenner Wenner & Co.
CPAs

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# INTRODUCTORY SECTION

**CITY OF WINDOM, MINNESOTA**
**CITY COUNCIL AND OFFICIALS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| **CITY COUNCIL** | | Term Expires |
|---|---|---|
| Dominic Jones | Mayor | December 31, 2024 |
| Dennis Esplan | Council Member – At-Large | December 31, 2026 |
| Marvin Grunig | Council Member – Ward I | December 31, 2024 |
| Jenny Quade | Council Member – Ward I | December 31, 2026 |
| Scott Benson | Council Member – Ward II | December 31, 2024 |
| James Nelson | Council Member – Ward II | December 31, 2026 |

**CITY OFFICIALS**

| | |
|---|---|
| Steven Nasby | City Administrator |
| Donna Torkelson | Finance Director |

# 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 (the City), as of and for the year ended December 31, 2023, 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, 2023, and 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, 44.8 percent, and 61.5 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 generally accepted auditing standards 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 generally accepted auditing standards 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 introductory section, 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.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 introductory section and schedule of indebtedness have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2024 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.

**SCHLENNER WENNER & CO.**
St. Cloud, Minnesota
September 18, 2024

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WINDOM, MINNESOTA**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**DECEMBER 31, 2023**

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, 2023 . 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 $97,073,047 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is $39,425,168.

- The City's total net position increased $6,140,281 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 $12,160,675, which is an increase of $3,165,010 in comparison with the prior year. The overall unassigned fund balance is $2,540,043.

- At the end of the current fiscal year, the spendable and unrestricted portion of fund balance for the general fund was $3,782,030, or 86.27% of total 2023 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 decreased $4,248,485 (9.06 percent) and program expenses increased $3,749,578 (10.45 percent). These changes are discussed in greater detail throughout the following pages.

- Total cost of all of the City's departments increased $1,921,585 (or 4.36 percent) in aggregate.

- The City's General Fund generated more revenue than budgeted of $482,852, excluding transfers in from other funds. Expenditures were more than budgeted by $241,878, excluding transfers to other funds. See additional details on page 70.

- During 2023, a major business located within the City declared bankruptcy, which had significant financial repercussions for the City, particularly in relation to proprietary fund operations. The City received a grant from the Minnesota Department of Economic Development to help mitigate the financial impact of these events.

## 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.

**USING THIS ANNUAL REPORT** (Continued)

**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 many large 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.

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 13. 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.

## THE CITY AS A WHOLE

The City's combined net position increased $6,140,281 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 | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and Other Assets | $ 14,674,768 | $ 12,535,853 | $ 50,968,666 | $ 47,683,096 | $ 65,643,434 | $ 60,218,949 |
| Net Capital Assets | 21,939,657 | 22,324,920 | 61,593,095 | 56,961,864 | 83,532,752 | 79,286,784 |
| Total Assets | 36,614,425 | 34,860,773 | 112,561,761 | 104,644,960 | 149,176,186 | 139,505,733 |
| Deferred Outflows of Resources | 1,836,205 | 2,072,785 | 3,580,600 | 4,328,057 | 5,416,805 | 6,400,842 |
| Current Liabilities | 466,760 | 974,111 | 3,872,515 | 3,090,664 | 4,339,275 | 4,064,775 |
| Noncurrent Liabilities | 11,415,642 | 14,282,761 | 38,986,462 | 31,723,572 | 50,402,104 | 46,006,333 |
| Total Liabilities | 11,882,402 | 15,256,872 | 42,858,977 | 34,814,236 | 54,741,379 | 50,071,108 |
| Deferred Inflows of Resources | 1,740,589 | 296,468 | 1,037,976 | 4,606,233 | 2,778,565 | 4,902,701 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 12,493,186 | 11,846,793 | 40,547,525 | 39,223,577 | 53,040,711 | 51,070,370 |
| Restricted | 4,195,606 | 3,992,659 | 411,562 | 407,570 | 4,607,168 | 4,400,229 |
| Unrestricted | 8,138,847 | 5,540,766 | 31,286,321 | 29,921,401 | 39,425,168 | 35,462,167 |
| Total Net Position | $ 24,827,639 | $ 21,380,218 | $ 72,245,408 | $ 69,552,548 | $ 97,073,047 | $ 90,932,766 |

The net position of the City's governmental activities increased by $3,447,421 (16.12 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 $2,598,081 compared to the prior year.

The net position of the City's business-type activities increased by $2,692,860 (3.87 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 $1,247,444. However, the City's Electric Fund and Telecom Fund also experienced substantial increases in net position, totaling $637,799 and $547,344, respectively. The additional reserves being generated by the Electric fund are being used for a transmission and generation project.

**CITY OF WINDOM, MINNESOTA**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**DECEMBER 31, 2023**

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

**Table 2**
**Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| REVENUE | | | | | | |
| Fees, Charges, Fines, Other | $ 1,778,858 | $ 1,741,280 | $ 40,920,678 | $ 42,614,032 | $ 42,699,536 | $ 44,355,312 |
| Operating Grants and Contributions | 486,329 | 508,408 | 54,515 | 3,266,443 | 540,844 | 3,774,851 |
| Capital Grants and Contributions | 4,588,134 | 174,697 | 58,257 | 298,360 | 4,646,391 | 473,057 |
| Property Taxes | 1,891,526 | 1,736,679 | 518,241 | 515,206 | 2,409,767 | 2,251,885 |
| Tax Increment and Other Taxes | 835,095 | 896,209 | - | - | 835,095 | 896,209 |
| Intergovernmental | 1,606,254 | 1,868,161 | 174 | 6,353 | 1,606,428 | 1,874,514 |
| Investment Income | 311,699 | 104,153 | 1,084,798 | 184,754 | 1,396,497 | 288,907 |
| Total Revenues | 11,497,895 | 7,029,587 | 42,636,663 | 46,885,148 | 54,134,558 | 53,914,735 |
| PROGRAM EXPENSES | | | | | | |
| General Government | 662,401 | 740,045 | - | - | 662,401 | 740,045 |
| Public Safety | 2,917,512 | 2,768,188 | - | - | 2,917,512 | 2,768,188 |
| Public Works | 1,112,213 | 1,019,544 | - | - | 1,112,213 | 1,019,544 |
| Culture and Recreation | 623,882 | 649,056 | - | - | 623,882 | 649,056 |
| Economic Development | 701,299 | 2,495,411 | - | - | 701,299 | 2,495,411 |
| Airport | 169,987 | 312,185 | - | - | 169,987 | 312,185 |
| Debt Service | 220,196 | 251,054 | - | - | 220,196 | 251,054 |
| Water | - | - | 1,101,010 | 1,146,698 | 1,101,010 | 1,146,698 |
| Wastewater | - | - | 1,938,397 | 2,027,598 | 1,938,397 | 2,027,598 |
| Electric | - | - | 6,030,595 | 5,500,070 | 6,030,595 | 5,500,070 |
| Liquor | - | - | 2,265,736 | 2,290,206 | 2,265,736 | 2,290,206 |
| Telecom | - | - | 2,364,615 | 2,255,942 | 2,364,615 | 2,255,942 |
| Arena | - | - | 458,592 | 476,801 | 458,592 | 476,801 |
| Multi-Purpose Center | - | - | 389,415 | 411,553 | 389,415 | 411,553 |
| River Bluff Townhomes | - | - | 104,668 | 86,413 | 104,668 | 86,413 |
| Windom Area Health | - | - | 24,965,752 | 21,673,921 | 24,965,752 | 21,673,921 |
| Total Expenses | 6,407,490 | 8,235,483 | 39,618,780 | 35,869,202 | 46,026,270 | 44,104,685 |
| Increase (Decrease) in Net Position Before Transfers/Other Items | 5,090,405 | (1,205,896) | 3,017,883 | 11,015,946 | 8,108,288 | 9,810,050 |
| Gain (Loss) on Disposal of Assets | 10,042 | 295,136 | 21,084 | 40,800 | 31,126 | 335,936 |
| Loss on Uncollectible Loans | - | - | (1,999,133) | - | (1,999,133) | - |
| Transfers | (1,653,026) | 389,112 | 1,653,026 | (389,112) | - | - |
| Change in Net Position | 3,447,421 | (521,648) | 2,692,860 | 10,667,634 | 6,140,281 | 10,145,986 |
| Net Position - Beginning of Year | 21,380,218 | 21,901,866 | 69,552,548 | 58,884,914 | 90,932,766 | 80,786,780 |
| Net Position - End of Year | $ 24,827,639 | $ 21,380,218 | $ 72,245,408 | $ 69,552,548 | $ 97,073,047 | $ 90,932,766 |

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

The City's total revenues increased by $219,823 (0.41 percent). The total cost of all programs and services increased by $1,921,585 (4.36 percent). Our following analysis separately considers the operations of governmental and business-type activities.

**Governmental Activities**
Revenue for the City's governmental activities increased by $4,468,308 (63.56 percent). The increase in revenue is primarily due to grant funding received from MN DEED in relation to the bankruptcy of a local business. A portion of the funding received during the year was intended to replace utility revenues being used to finance wastewater treatment plant expansion debt and, accordingly, was subsequently transferred to the Wastewater Fund. The remainder of the grant proceeds were used to provide a loan to a local developer, for the completion of an affordable housing project.

Total expenses for governmental activities decreased $1,827,993 (22.20 percent), primarily due to decreased expenses for economic development. The change in expenses has 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:

- General government net cost of services decreased $4,452,240 due to the significant grant proceeds received during 2023, as previously discussed.
- Economic development net cost of services decreased $1,657,045 due to the purchase of the Cemstone property during 2022, which was subsequently transferred to a third party developer.

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| General Government | $ 662,401 | $ 740,045 | $ (3,950,440) | $ 501,800 |
| Public Safety | 2,917,512 | 2,768,188 | 1,115,161 | 1,394,795 |
| Public Works | 1,112,213 | 1,019,544 | 1,028,828 | 927,196 |
| Culture and Recreation | 623,882 | 649,056 | 541,033 | 560,510 |
| Economic Development | 701,299 | 2,495,411 | 643,522 | 2,300,567 |
| Airport | 169,987 | 312,185 | (17,324) | (61,336) |
| Debt Service | 220,196 | 251,054 | 220,196 | 251,054 |
| Totals | $ 6,407,490 | $ 8,235,483 | $ (419,024) | $ 5,874,586 |

**Business-type Activities**
Revenues of the City's business-type activities (see Table 2) decreased by $4,248,485 (9.06 percent) and program expenses increased by $3,749,578 (10.45 percent). The decrease in revenues is due primarily to fewer operating grant funds received by Windom Area Health, as well as decreased utility charges resulting from the closure of the large business within the City previously discussed. The increase in expenses is due largely to an increase in Windom Area Health's current year operating expenses.

## THE CITY'S FUNDS

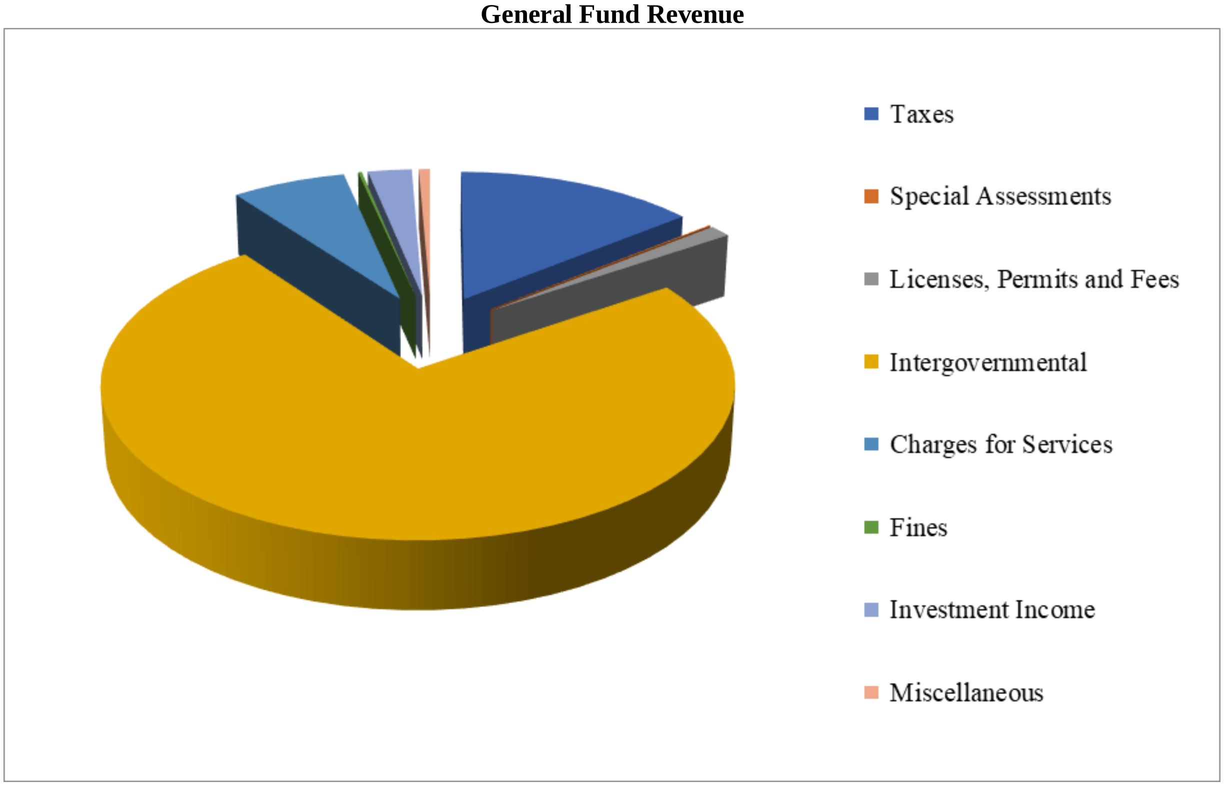
### Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of $12,160,675. This is an increase of $3,156,010 from the prior year. Operations were comparable to the prior year, with the exception of the grant funding discussed in the previous section. Financial information specific to the governmental funds is detailed below. Such information was derived from the fund financials.

| | Fund Balance December 31, | | Increase |
|---|---|---|---|
| Major Funds | 2023 | 2022 | (Decrease) |
| **General Fund** | $ 6,847,446 | $ 4,443,889 | $ 2,403,557 |

The fund balance of the General Fund increased by $2,403,557 compared to 2022. Details of the General Fund's revenues and expenditures are displayed below:

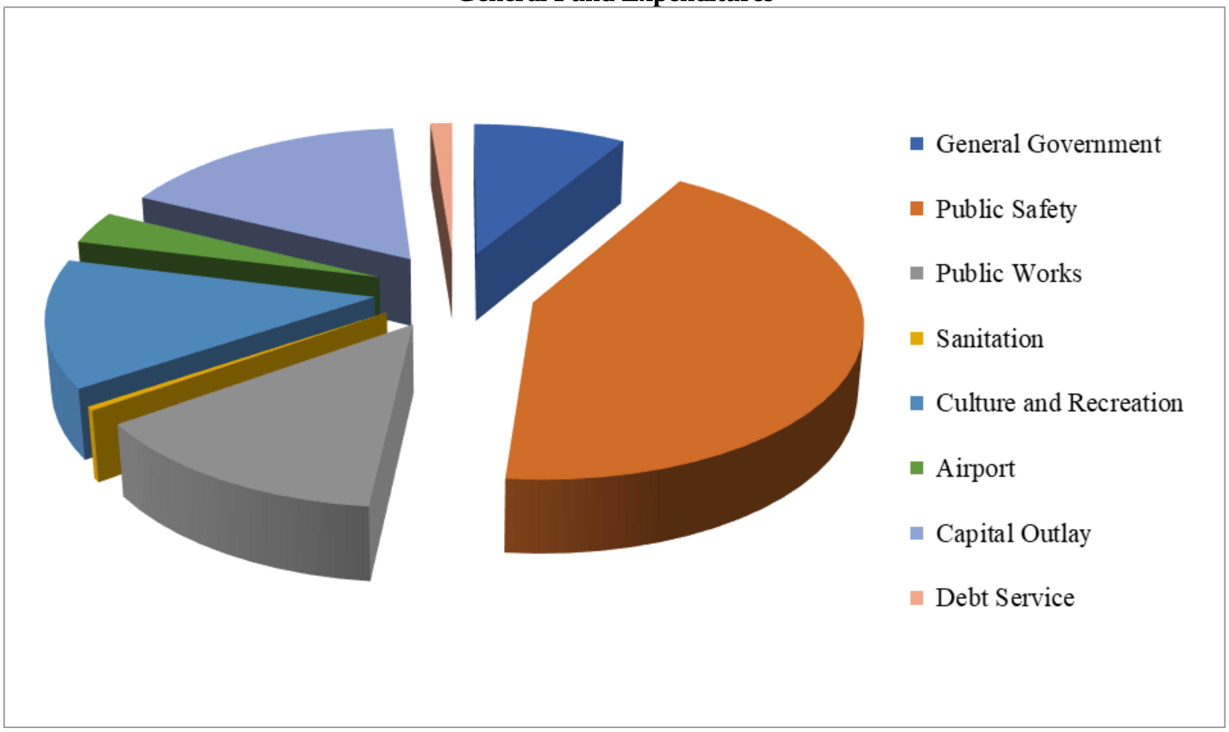
**General Fund Revenue**




The City received the majority of its funding in the General Fund in the form of grants and funding received from other governmental agencies (74.23 percent) and taxes (14.21 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception of the grant funding from MN DEED previously discussed.

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

**General Fund Expenditures**




A significant portion of the City's General Fund expenditures are used for public safety (42.97 percent). Remaining expenditures are used primarily for public works (13.59 percent), culture and recreation (13.27 percent), and capital outlay (16.46 percent). Expenditures are comparable to the prior year.

| Major Funds | Fund Balance December 31, 2023 | 2022 | Increase (Decrease) |
|---|---|---|---|
| **Debt Service Fund** | $ 1,913,240 | $ 1,736,511 | $ 176,729 |

The Debt Service fund balance increased primarily due to the transfers into the fund in the current year.

**General Fund Budgetary Highlights**

The City's General Fund generated more revenue than budgeted of $482,852, excluding transfers in from other funds. Expenditures were more than those budgeted by $241,878, excluding transfers to other funds. Revenues over budget in the current year are primarily due to various grant funding received in excess of budget, as well as greater investment earnings than anticipated. Expenditures in excess of budget is primarily due to capital outlay costs incurred in the public works department.

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

**Proprietary Funds**

As the City completed the year, its business-type activities reported a combined net position of $72,245,408. This is an increase of $2,692,860 from the prior year. The following is a summary of the City's major proprietary funds:

| Major Funds | Net Position December 31, 2023 | Net Position December 31, 2022 | Increase (Decrease) |
|---|---|---|---|
| **Wastewater Fund** | $ 19,597,466 | $ 19,554,876 | $ 42,590 |

The Wastewater Fund net position increased slightly during the current year, as noted above. The fund experienced a decline in operating revenues resulting from the closure of a major local business. However, as previously discussed, MN DEED grant proceeds were allocated to this fund to help mitigate this decline in revenues.

| | | | |
|---|---|---|---|
| **Electric Fund** | $ 18,055,768 | $ 17,417,969 | $ 637,799 |

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. The Electric Fund also experienced a decline in revenues from utility charges due to the matter discussed above.

| | | | |
|---|---|---|---|
| **Telecom Fund** | $ (5,542,518) | $ (6,089,862) | $ 547,344 |

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.

| | | | |
|---|---|---|---|
| **Windom Area Health Fund** | $ 32,339,890 | $ 31,092,446 | $ 1,247,444 |

The Windom Area Health Fund increased substantially during 2023 as a result of net patient service revenues in excess of operating costs and revenues from grants and contributions recognized during the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2023, the City had a net investment of $83,532,752 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 increase of $4,245,968 (5.36 percent) from last year. Major capital asset activities that occurred during the current year are as follows:

- Costs of approximately $3,004,000 were incurred for the Transmission Project.
- Costs of approximately $1,554,000 were incurred for the Truck Garage Project.
- Costs of approximately $1,041,000 were incurred for the Power Generation Building Project.
- The Liquor Store initiated a remodeling project, incurring costs of approximately $380,000 through year-end.

**Table 4**
**Capital Assets Net of Depreciation/Amortization**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | $ 232,961 | $ 232,961 | $ 519,424 | $ 519,424 | $ 752,385 | $ 752,385 |
| Construction In Progress | 342,768 | 162,525 | 7,329,979 | 951,019 | 7,672,747 | 1,113,544 |
| Buildings and Improvements | 9,396,118 | 9,703,874 | 24,178,390 | 25,552,909 | 33,574,508 | 35,256,783 |
| Furniture and Equipment | 8,605 | 13,239 | 7,126,302 | 7,067,638 | 7,134,907 | 7,080,877 |
| Machinery and Equipment | 2,083,487 | 1,879,507 | 6,619,068 | 6,694,370 | 8,702,555 | 8,573,877 |
| Infrastructure | 9,805,883 | 10,208,335 | 15,356,857 | 16,150,593 | 25,162,740 | 26,358,928 |
| Leased Vehicles and Equipment | 69,835 | 124,479 | 463,075 | 25,911 | 532,910 | 150,390 |
| Totals | $21,939,657 | $22,324,920 | $61,593,095 | $56,961,864 | $83,532,752 | $79,286,784 |

More detailed information about the City's capital assets is presented in Note 2.C. to the financial statements.

### Debt

At year-end, the City had $36,569,368 in gross debt versus $34,265,187 last year (an increase of 6.72 percent), as shown in Table 5. See additional information regarding these issuances in Note 2.D. to the financial statements.

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| G.O. Bonds | $ 9,065,000 | $ 10,020,000 | $ 12,540,000 | $ 6,220,000 | $ 21,605,000 | $ 16,240,000 |
| Revenue Bonds | - | - | 9,832,000 | 10,688,000 | 9,832,000 | 10,688,000 |
| Lease Liabilities | 59,592 | 109,511 | 473,495 | 25,725 | 533,087 | 135,236 |
| Notes Payable | - | - | 4,599,281 | 7,201,951 | 4,599,281 | 7,201,951 |
| Totals | $ 9,124,592 | $ 10,129,511 | $ 27,444,776 | $ 24,135,676 | $ 36,569,368 | $ 34,265,187 |

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

The following are various ongoing matters of significance within the City, all of which were considered during the 2023 budgeting and rate setting process:

- General Fund revenue was about 6% higher than budget due to slightly higher State aid and greater investment earnings than anticipated. General Fund expenses also exceeded budgeted amounts, due to additional capital outlay for ongoing public works projects.
- Enterprise Fund revenue was positive across all funds as revenues and expenses were on budget.
- New workforce housing, consisting of 60 apartment units that was to open in 2023 was stalled due to the Hylife bankruptcy. The City secured a State grant and provided a low interest loan to the developers of this property for completion in 2024.
- The developer for the South Cottonwood Lake subdivision started demolition work in 2023 and plans for a 2024 completion and lots being for sale.
- A TIF Agreement with Apollo Development was signed for approximately 45 new high-end apartment units within the South Cottonwood Lake subdivision which will be under construction in 2025.
- Interest rates on the City's investments continue to provide a higher return to supplement overall revenues.
- In 2023 a new Scooters Coffee was constructed, the municipal liquor store addition\remodeling started and other retail businesses in town improved their buildings.
- American Recover Plan Act funds were committed to the purchase of three new dump truck\snow plow units encountered supply chain delays and will now be delivered in 2024.
- In 2023 an Electric Rate study was completed which called for rate increases of 5% per year in 2024, 2025 and 2026.
- Large capital projects for 2023 included Fire Department equipment purchases, dedication of funds for a new Park shelter at Island Park and a new Street Department pick-up with snow plow. The Airport also started a cross-wind runway project and the Ambulance purchased a new rig.
- New labor agreements with the International Brotherhood of Electrical Workers and Law Enforcement Labor Services were negotiated for 2024, 2025 and 2026.
- Energy markets trended higher in the last year and a rate study was completed, which indicated the need for a 5% increase in 2024, 2025, and 2026.
- Property tax rates remain stable and are consistently around the mid-point when compared to peer communities.
- Valuations for properties stabilized or increased slightly in 2023 according to the County Assessor's Office.

## 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 9th Street, P.O. Box 38, Windom, MN 56101.

# BASIC FINANCIAL STATEMENTS

# CITY OF WINDOM, MINNESOTA
# STATEMENT OF NET POSITION
# DECEMBER 31, 2023

| | 2023 | | | April 30, 2023 |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Totals | Windom Area Health Foundation |
| **ASSETS** | | | | |
| Cash, Cash Equivalents, and Investments | $ 8,847,756 | $ 43,028,012 | $ 51,875,768 | $ 464,638 |
| Restricted Cash | - | 407,717 | 407,717 | - |
| Property Taxes Receivable | 33,868 | - | 33,868 | - |
| Assessments Receivable | 1,329,880 | 101,869 | 1,431,749 | - |
| Accounts Receivable | 1,026,661 | 5,176,735 | 6,203,396 | - |
| Interest Receivable | - | 102,077 | 102,077 | - |
| Inventory | 83,447 | 1,719,867 | 1,803,314 | - |
| Prepaids | - | 147,521 | 147,521 | - |
| Property Held for Sale | 94,975 | - | 94,975 | - |
| Loans Receivable (Net) | 2,731,987 | - | 2,731,987 | - |
| Leases Receivable | 11,144 | 222,201 | 233,345 | - |
| Investment in Joint Venture | - | 62,667 | 62,667 | - |
| Capital Assets Not Being Depreciated/Amortized | 575,729 | 7,849,403 | 8,425,132 | - |
| Capital Assets Being Depreciated/Amortized (Net) | 21,363,928 | 53,743,692 | 75,107,620 | - |
| Net Pension Asset | 515,050 | - | 515,050 | - |
| **TOTAL ASSETS** | 36,614,425 | 112,561,761 | 149,176,186 | 464,638 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| OPEB | 17,375 | 24,182 | 41,557 | - |
| Pensions | 1,818,830 | 3,556,418 | 5,375,248 | - |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 1,836,205 | 3,580,600 | 5,416,805 | - |
| **LIABILITIES** | | | | |
| Accounts Payable | 294,248 | 1,924,951 | 2,219,199 | - |
| Salaries Payable | - | 1,210,611 | 1,210,611 | - |
| Accrued Interest Payable | 93,641 | 74,399 | 168,040 | - |
| Construction Payables | - | 534,017 | 534,017 | - |
| Payroll Deductions and Employer Contributions | 76,611 | - | 76,611 | - |
| Other Current Liabilities | 2,260 | 9,276 | 11,536 | - |
| Unearned Revenue | - | 119,261 | 119,261 | - |
| Noncurrent Liabilities: | | | | |
| Amount Due Within One Year | 837,914 | 1,796,120 | 2,634,034 | - |
| Amount Due After One Year | 8,867,881 | 26,584,479 | 35,452,360 | - |
| Net OPEB Liability | 206,453 | 228,948 | 435,401 | - |
| Net Pension Liability | 1,503,394 | 10,376,915 | 11,880,309 | - |
| **TOTAL LIABILITIES** | 11,882,402 | 42,858,977 | 54,741,379 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| OPEB | - | 143,448 | 143,448 | - |
| Pensions | 1,729,260 | 679,259 | 2,408,519 | - |
| Leases | 11,329 | 215,269 | 226,598 | - |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 1,740,589 | 1,037,976 | 2,778,565 | - |
| **NET POSITION** | | | | |
| Net Investment in Capital Assets | 12,493,186 | 40,547,525 | 53,040,711 | - |
| Restricted | 4,195,606 | 411,562 | 4,607,168 | 231,250 |
| Unrestricted | 8,138,847 | 31,286,321 | 39,425,168 | 233,388 |
| **TOTAL NET POSITION** | $ 24,827,639 | $ 72,245,408 | $ 97,073,047 | $ 464,638 |

# CITY OF WINDOM, MINNESOTA
# STATEMENT OF ACTIVITIES
# FOR THE YEAR ENDED DECEMBER 31, 2023

| | 2023 | | | | | | | April 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
| | | | | | Primary Government | | | Windom Area Health Foundation |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Governmental Activities: | | | | | | | | |
| General Government | $ 662,401 | $ 95,311 | $ 25,798 | $ 4,491,732 | $ 3,950,440 | $ - | $ 3,950,440 | $ - |
| Public Safety | 2,917,512 | 1,409,268 | 393,083 | - | (1,115,161) | - | (1,115,161) | - |
| Public Works | 1,093,929 | 10,300 | - | 73,085 | (1,010,544) | - | (1,010,544) | - |
| Sanitation | 18,284 | - | - | - | (18,284) | - | (18,284) | - |
| Culture and Recreation | 623,882 | 59,988 | 22,861 | - | (541,033) | - | (541,033) | - |
| Economic Development | 701,299 | 30,508 | 27,269 | - | (643,522) | - | (643,522) | - |
| Airport | 169,987 | 146,676 | 17,318 | 23,317 | 17,324 | - | 17,324 | - |
| Debt Service | 220,196 | - | - | - | (220,196) | - | (220,196) | - |
| Total Governmental Activities | 6,407,490 | 1,752,051 | 486,329 | 4,588,134 | 419,024 | - | 419,024 | - |
| Business-Type Activities: | | | | | | | | |
| Water | 1,101,010 | 1,281,769 | - | 8,050 | - | 188,809 | 188,809 | - |
| Wastewater | 1,938,397 | 1,884,547 | - | 2,211 | - | (51,639) | (51,639) | - |
| Electric | 6,030,595 | 6,464,048 | 5,632 | - | - | 439,085 | 439,085 | - |
| Liquor | 2,265,736 | 2,369,420 | - | - | - | 103,684 | 103,684 | - |
| Telecom | 2,364,615 | 2,867,561 | - | - | - | 502,946 | 502,946 | - |
| Arena | 458,592 | 88,975 | 2,168 | - | - | (367,449) | (367,449) | - |
| Multi-Purpose Center | 389,415 | 154,013 | - | 300 | - | (235,102) | (235,102) | - |
| River Bluff Townhomes | 104,668 | 100,284 | - | - | - | (4,384) | (4,384) | - |
| Windom Area Health | 24,965,752 | 25,710,061 | 46,715 | 47,696 | - | 838,720 | 838,720 | - |
| Total Business-Type Activities | 39,618,780 | 40,920,678 | 54,515 | 58,257 | - | 1,414,670 | 1,414,670 | - |
| Total Primary Government: | $ 46,026,270 | $ 42,672,729 | $ 540,844 | $ 4,646,391 | 419,024 | 1,414,670 | 1,833,694 | - |
| Component Unit: | | | | | | | | |
| Windom Area Health Foundation | $ 91,365 | $ 170,142 | $ 24,782 | $ - | - | - | - | 103,559 |
| General Revenues: | | | | | | | | |
| Property Taxes | | | | | 1,891,526 | 518,241 | 2,409,767 | - |
| Tax Increment and Other Taxes | | | | | 835,095 | - | 835,095 | - |
| Intergovernmental | | | | | 1,606,254 | 174 | 1,606,428 | - |
| Investment Income | | | | | 311,699 | 1,084,798 | 1,396,497 | - |
| Gain (Loss) on Sale of Assets | | | | | 10,042 | 21,084 | 31,126 | - |
| Loss on Uncollectible Loans | | | | | - | (1,999,133) | (1,999,133) | - |
| Miscellaneous | | | | | 26,807 | - | 26,807 | - |
| Total General Revenues | | | | | 4,681,423 | (374,836) | 4,306,587 | - |
| Transfers | | | | | (1,653,026) | 1,653,026 | - | - |
| Total General Revenues and Transfers | | | | | 3,028,397 | 1,278,190 | 4,306,587 | - |
| **CHANGE IN NET POSITION** | | | | | 3,447,421 | 2,692,860 | 6,140,281 | 103,559 |
| **NET POSITION - BEGINNING OF YEAR** | | | | | 21,380,218 | 69,552,548 | 90,932,766 | 361,079 |
| **NET POSITION - END OF YEAR** | | | | | $ 24,827,639 | $ 72,245,408 | $ 97,073,047 | $ 464,638 |

See accompanying notes.

**CITY OF WINDOM, MINNESOTA**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2023**

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash, Cash Equivalents, and Investments | $ 3,770,912 | $ 1,911,588 | $ 3,165,256 | $ 8,847,756 |
| Property Taxes Receivable | 33,868 | - | - | 33,868 |
| Assessments Receivable | 3,520 | 1,321,909 | 4,451 | 1,329,880 |
| Accounts Receivable | 266,906 | 1,652 | 758,103 | 1,026,661 |
| Due from Other Funds | 10,960 | - | - | 10,960 |
| Inventory | 83,447 | - | - | 83,447 |
| Property Held for Resale | - | - | 94,975 | 94,975 |
| Loans Receivable (Net) | 2,491,732 | - | 240,255 | 2,731,987 |
| Advances to Other Funds | 489,027 | - | - | 489,027 |
| Leases Receivable | 4,544 | - | 6,600 | 11,144 |
| **TOTAL ASSETS** | $ 7,154,916 | $ 3,235,149 | $ 4,269,640 | $ 14,659,705 |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 117,022 | $ - | $ 177,226 | $ 294,248 |
| Payroll Deductions and Employer Contributions | 76,611 | - | - | 76,611 |
| Due to Other Funds | - | - | 10,960 | 10,960 |
| Other Current Liabilities | 2,260 | - | - | 2,260 |
| Advances from Other Funds | - | - | 489,027 | 489,027 |
| Total Liabilities | 195,893 | - | 677,213 | 873,106 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable Revenue: | | | | |
| Property Taxes | 33,868 | - | - | 33,868 |
| Special Assessments | 3,520 | 1,321,909 | 4,451 | 1,329,880 |
| Grants Receivable | 69,251 | - | - | 69,251 |
| Loans Receivable | - | - | 181,596 | 181,596 |
| Leases | 4,938 | - | 6,391 | 11,329 |
| Total Deferred Inflows of Resources | 111,577 | 1,321,909 | 192,438 | 1,625,924 |
| **FUND BALANCES** | | | | |
| Nonspendable | 3,064,206 | - | 153,843 | 3,218,049 |
| Restricted | 1,210 | 1,913,240 | 866,841 | 2,781,291 |
| Committed | 77,083 | - | - | 77,083 |
| Assigned | 1,153,944 | - | 2,390,265 | 3,544,209 |
| Unassigned | 2,551,003 | - | (10,960) | 2,540,043 |
| Total Fund Balances | 6,847,446 | 1,913,240 | 3,399,989 | 12,160,675 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 7,154,916 | $ 3,235,149 | $ 4,269,640 | $ 14,659,705 |

See accompanying notes.

**CITY OF WINDOM, MINNESOTA**
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF NET POSITION**
**DECEMBER 31, 2023**

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | $ 12,160,675 |
| 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 | $ 47,517,448 | |
| Accumulated Depreciation/Amortization | (25,577,791) | |
| Capital Assets (Net) | | 21,939,657 |
| 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 | (9,065,000) | |
| Bond Premium, Net of Accumulated Amortization | (321,879) | |
| Lease Liability | (59,592) | |
| Compensated Absences | (259,324) | |
| | | (9,705,795) |
| 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 | (206,453) | |
| Deferred Outflows - OPEB | 17,375 | |
| | | (189,078) |
| 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 | 515,050 | |
| Net Pension Liability | (1,503,394) | |
| Deferred Outflows - Pensions | 1,818,830 | |
| Deferred Inflows - Pensions | (1,729,260) | |
| | | (898,774) |
| 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: | | (93,641) |
| 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 | | 33,868 |
| Special Assessments Receivable | | 1,329,880 |
| Grants Receivable | | 69,251 |
| Loans Receivable | | 181,596 |
| **TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 24,827,639 |

See accompanying notes.

**CITY OF WINDOM, MINNESOTA**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property Taxes | $ 1,212,948 | $ 418,888 | $ 258,994 | $ 1,890,830 |
| Tax Increment | - | - | 784,196 | 784,196 |
| Lodging Tax | 50,899 | - | - | 50,899 |
| Special Assessments | 7,878 | 246,607 | 4,751 | 259,236 |
| Licenses, Permits, and Fees | 115,428 | - | - | 115,428 |
| Intergovernmental | 6,602,617 | - | 46,086 | 6,648,703 |
| Charges for Services | 597,890 | - | 997,452 | 1,595,342 |
| Fines | 19,803 | - | - | 19,803 |
| Investment Earnings (Losses) | 229,013 | 4,842 | 67,481 | 301,336 |
| Interest from Loans/Leases | 248 | - | 10,115 | 10,363 |
| Loan Collections | - | - | 46,898 | 46,898 |
| Miscellaneous | 58,230 | - | 16,388 | 74,618 |
| **TOTAL REVENUES** | 8,894,954 | 670,337 | 2,232,361 | 11,797,652 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General Government | 379,505 | 1,333 | - | 380,838 |
| Public Safety | 1,883,587 | - | 574,318 | 2,457,905 |
| Public Works | 595,780 | - | - | 595,780 |
| Sanitation | 18,284 | - | - | 18,284 |
| Parks and Recreation | 390,134 | - | - | 390,134 |
| Library | 191,722 | - | - | 191,722 |
| Economic Development | - | - | 616,044 | 616,044 |
| Airport | 149,374 | - | - | 149,374 |
| Capital Outlay | 721,373 | - | 207,434 | 928,807 |
| Debt Service: | | | | |
| Principal | 49,919 | 690,000 | 265,000 | 1,004,919 |
| Interest and Other Charges | 4,154 | 201,814 | 48,841 | 254,809 |
| **TOTAL EXPENDITURES** | 4,383,832 | 893,147 | 1,711,637 | 6,988,616 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 4,511,122 | (222,810) | 520,724 | 4,809,036 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | 249,500 | 399,539 | 55,000 | 704,039 |
| Transfers Out | (2,357,065) | - | - | (2,357,065) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (2,107,565) | 399,539 | 55,000 | (1,653,026) |
| **NET CHANGE IN FUND BALANCES** | 2,403,557 | 176,729 | 575,724 | 3,156,010 |
| **FUND BALANCES - BEGINNING** | 4,443,889 | 1,736,511 | 2,824,265 | 9,004,665 |
| **FUND BALANCES - ENDING** | $ 6,847,446 | $ 1,913,240 | $ 3,399,989 | $ 12,160,675 |

**CITY OF WINDOM, MINNESOTA**
**RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | | $ 3,156,010 |
| 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 and amortization expense: | | |
| Capital Outlay Capitalized | $ 887,026 | |
| Depreciation and Amortization Expense | (1,268,580) | |
| Gain (Loss) on Vehicle Lease Trade-Ins | (3,709) | |
| | | (385,263) |
| 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 | 955,000 | |
| Amortization of Bond Premium | 26,737 | |
| Lease Principal Repayments | 49,919 | |
| | | 1,031,656 |
| 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: | | 7,876 |
| 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 | 696 | |
| Special Revenues | (186,151) | |
| Grants Receivable | (47,782) | |
| Loans Receivable | (46,897) | |
| Other Receivables | (99) | |
| | | (280,233) |
| 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 | | 21,383 |
| 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 | 38,618 | |
| Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources | (142,626) | |
| | | (104,008) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 3,447,421 |

See accompanying notes.

# CITY OF WINDOM, MINNESOTA
# STATEMENT OF NET POSITION
# PROPRIETARY FUNDS
# DECEMBER 31, 2023

| | Wastewater Fund | Electric Fund | Telecom Fund | April 30, 2023 Windom Area Health Fund | Nonmajor Proprietary Funds | Totals |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets | | | | | | |
| Cash, Cash Equivalents, and Investments | $ 3,468,993 | $ 11,693,293 | $ - | $ 23,792,750 | $ 4,072,976 | $ 43,028,012 |
| Restricted Cash | - | - | - | 407,717 | - | 407,717 |
| Accounts Receivable | 263,308 | 582,004 | 56,638 | 4,136,027 | 138,758 | 5,176,735 |
| Interest Receivable | - | - | - | 102,077 | - | 102,077 |
| Due from Other Funds | - | 3,381 | - | - | - | 3,381 |
| Inventory | 7,900 | 1,060,825 | 55,784 | 235,273 | 360,085 | 1,719,867 |
| Prepaids | - | - | - | 145,631 | 1,890 | 147,521 |
| Total Current Assets | 3,740,201 | 13,339,503 | 112,422 | 28,819,475 | 4,573,709 | 50,585,310 |
| Noncurrent Assets | | | | | | |
| Capital Assets Not Being Depreciated/Amortized | 27,925 | 6,455,198 | 146,331 | 583,000 | 636,949 | 7,849,403 |
| Capital Assets Being Depreciated/Amortized (Net) | 22,704,283 | 6,856,485 | 1,213,500 | 15,372,637 | 7,596,787 | 53,743,692 |
| Assessments Receivable | 36,819 | - | - | - | 65,050 | 101,869 |
| Leases Receivable | - | - | 222,201 | - | - | 222,201 |
| Investment in Joint Venture | - | - | - | 62,667 | - | 62,667 |
| Total Noncurrent Assets | 22,769,027 | 13,311,683 | 1,582,032 | 16,018,304 | 8,298,786 | 61,979,832 |
| **TOTAL ASSETS** | 26,509,228 | 26,651,186 | 1,694,454 | 44,837,779 | 12,872,495 | 112,565,142 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| OPEB | 1,338 | 3,342 | 2,673 | 10,145 | 6,684 | 24,182 |
| Pensions | 53,533 | 109,712 | 86,526 | 3,150,982 | 155,665 | 3,556,418 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 54,871 | 113,054 | 89,199 | 3,161,127 | 162,349 | 3,580,600 |
| **LIABILITIES** | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | 10,420 | 753,181 | 78,919 | 933,581 | 148,850 | 1,924,951 |
| Salaries Payable | - | - | - | 1,210,611 | - | 1,210,611 |
| Construction Payables | - | 520,463 | - | - | 13,554 | 534,017 |
| Due to Other Funds | - | - | 3,381 | - | - | 3,381 |
| Other Current Liabilities | - | - | 4,662 | - | 4,614 | 9,276 |
| Unearned Revenue | - | 97,290 | - | - | 21,971 | 119,261 |
| Accrued Interest | 31,049 | - | 13,348 | - | 30,002 | 74,399 |
| Debt Due Within One Year | 503,563 | - | 724,159 | 379,498 | 188,900 | 1,796,120 |
| Total Current Liabilities | 545,032 | 1,370,934 | 824,469 | 2,523,690 | 407,891 | 5,672,016 |
| Noncurrent Liabilities | | | | | | |
| Compensated Absences Due After One Year | 54,108 | 106,547 | 103,093 | - | 128,916 | 392,664 |
| Debt Due After One Year | 6,091,580 | 6,659,286 | 5,737,914 | 3,832,031 | 3,871,004 | 26,191,815 |
| Net OPEB Liability | 15,901 | 39,715 | 31,765 | 62,137 | 79,430 | 228,948 |
| Net Pension Liability | 187,387 | 383,398 | 298,120 | 8,965,476 | 542,534 | 10,376,915 |
| Total Noncurrent Liabilities | 6,348,976 | 7,188,946 | 6,170,892 | 12,859,644 | 4,621,884 | 37,190,342 |
| **TOTAL LIABILITIES** | 6,894,008 | 8,559,880 | 6,995,361 | 15,383,334 | 5,029,775 | 42,862,358 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| OPEB | - | - | - | 143,448 | - | 143,448 |
| Pensions | 72,625 | 148,592 | 115,541 | 132,234 | 210,267 | 679,259 |
| Leases | - | - | 215,269 | - | - | 215,269 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 72,625 | 148,592 | 330,810 | 275,682 | 210,267 | 1,037,976 |
| **NET POSITION** | | | | | | |
| Net Investment in Capital Assets | 16,137,065 | 7,133,490 | 939,758 | 11,993,104 | 4,344,108 | 40,547,525 |
| Restricted | - | - | - | 411,562 | - | 411,562 |
| Unrestricted | 3,460,401 | 10,922,278 | (6,482,276) | 19,935,224 | 3,450,694 | 31,286,321 |
| **TOTAL NET POSITION** | $ 19,597,466 | $ 18,055,768 | $ (5,542,518) | $ 32,339,890 | $ 7,794,802 | $ 72,245,408 |

# CITY OF WINDOM, MINNESOTA
# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
# PROPRIETARY FUNDS
# FOR THE YEAR ENDED DECEMBER 31, 2023

| | Wastewater Fund | Electric Fund | Telecom Fund | April 30, 2023 Windom Area Health Fund | Nonmajor Proprietary Funds | Totals |
|---|---|---|---|---|---|---|
| **SALES AND COST OF SALES** | | | | | | |
| Sales | $ - | $ - | $ - | $ - | $ 2,369,420 | $ 2,369,420 |
| Cost of Sales | - | - | - | - | (1,734,594) | (1,734,594) |
| Facility Use/Other Revenue | - | - | - | - | 343,272 | 343,272 |
| **GROSS PROFIT** | - | - | - | - | 978,098 | 978,098 |
| **OPERATING REVENUES** | | | | | | |
| Charges for Services | 1,884,547 | 6,464,048 | 2,867,561 | 25,710,061 | 1,281,769 | 38,207,986 |
| **TOTAL GROSS PROFIT AND OPERATING REVENUES** | 1,884,547 | 6,464,048 | 2,867,561 | 25,710,061 | 2,259,867 | 39,186,084 |
| **OPERATING EXPENSES** | | | | | | |
| Cost of Power / Services | - | 4,145,971 | 831,035 | - | - | 4,977,006 |
| Wages and Benefits | 357,276 | 617,200 | 589,351 | 7,414,109 | 1,093,986 | 10,071,922 |
| Materials and Supplies | 116,697 | 44,072 | 72,393 | - | 165,095 | 398,257 |
| Repairs and Maintenance | 58,761 | 97,597 | 42,373 | - | 119,456 | 318,187 |
| Professional Services | 71,727 | 90,792 | 94,066 | 6,894,569 | 54,585 | 7,205,739 |
| Licenses, Permits, and Fees | 8,290 | 41,066 | 63,503 | - | 37,228 | 150,087 |
| Insurance | 37,075 | 174,904 | 29,970 | - | 95,339 | 337,288 |
| Utilities | 144,779 | 12,944 | 175,258 | - | 264,162 | 597,143 |
| Administrative and General | - | - | - | 8,768,070 | - | 8,768,070 |
| Miscellaneous | 55,929 | 25,563 | (6,647) | - | 124,476 | 199,321 |
| Depreciation and Amortization | 967,628 | 630,971 | 334,750 | 1,719,947 | 545,042 | 4,198,338 |
| **TOTAL OPERATING EXPENSES** | 1,818,162 | 5,881,080 | 2,226,052 | 24,796,695 | 2,499,369 | 37,221,358 |
| **NET OPERATING INCOME** | 66,385 | 582,968 | 641,509 | 913,366 | (239,502) | 1,964,726 |
| **NONOPERATING INCOME (EXPENSE)** | | | | | | |
| Taxes | - | - | - | - | 518,241 | 518,241 |
| Special Assessments | 2,211 | - | - | - | 8,050 | 10,261 |
| Intergovernmental | 23 | 5,679 | 37 | - | 67 | 5,806 |
| Investment Income | 152,671 | 378,333 | 46,611 | 408,724 | 98,459 | 1,084,798 |
| Gain (Loss) on Sale of Assets | - | 21,084 | - | - | - | 21,084 |
| Grants and Contributions | - | - | - | 94,411 | 2,468 | 96,879 |
| Loss on Uncollectible Loans | (1,999,133) | - | - | - | - | (1,999,133) |
| Interest and Other Charges | (120,235) | (149,515) | (138,563) | (169,057) | (85,458) | (662,828) |
| **TOTAL NONOPERATING INCOME (EXPENSE)** | (1,964,463) | 255,581 | (91,915) | 334,078 | 541,827 | (924,892) |
| **CHANGE IN NET POSITION PRIOR TO TRANSFERS** | (1,898,078) | 838,549 | 549,594 | 1,247,444 | 302,325 | 1,039,834 |
| **TRANSFERS** | | | | | | |
| Operating Transfers In | 2,000,000 | - | - | - | 73,434 | 2,073,434 |
| Operating Transfers Out | (59,332) | (200,750) | (2,250) | - | (158,076) | (420,408) |
| **NET TRANSFERS** | 1,940,668 | (200,750) | (2,250) | - | (84,642) | 1,653,026 |
| **CHANGE IN NET POSITION** | 42,590 | 637,799 | 547,344 | 1,247,444 | 217,683 | 2,692,860 |
| **NET POSITION - BEGIN. OF YEAR** | 19,554,876 | 17,417,969 | (6,089,862) | 31,092,446 | 7,577,119 | 69,552,548 |
| **NET POSITION - END OF YEAR** | $ 19,597,466 | $ 18,055,768 | $ (5,542,518) | $ 32,339,890 | $ 7,794,802 | $ 72,245,408 |

See accompanying notes.

# CITY OF WINDOM, MINNESOTA
# STATEMENT OF CASH FLOWS
# PROPRIETARY FUNDS
# FOR THE YEAR ENDED DECEMBER 31, 2023

| | Wastewater Fund | Electric Fund | Telecom Fund | April 30, 2023 Windom Area Health Fund | Nonmajor Proprietary Funds | Totals |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Cash Received from Customers | $ 1,846,874 | $ 6,703,280 | $ 2,847,813 | $ 25,361,324 | $ 3,979,509 | $ 40,738,800 |
| Cash Paid to Suppliers | (513,221) | (4,418,122) | (1,324,530) | (15,916,615) | (2,596,206) | (24,768,694) |
| Cash Paid to Employees | (346,574) | (605,095) | (587,597) | (6,502,449) | (1,056,028) | (9,097,743) |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | 987,079 | 1,680,063 | 935,686 | 2,942,260 | 327,275 | 6,872,363 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Taxes and Intergovernmental | 23 | 5,679 | 37 | - | 518,308 | 524,047 |
| Other Receipts from Customers | - | - | 11,266 | 92,064 | 2,468 | 105,798 |
| Net Operating Subsidies and Transfers from (to) Other Funds | 1,940,668 | (133,593) | (69,407) | - | (84,642) | 1,653,026 |
| **NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES** | 1,940,691 | (127,914) | (58,104) | 92,064 | 436,134 | 2,282,871 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Assessments and Loans Receivable | 165,019 | - | - | - | 22,549 | 187,568 |
| Purchases of Capital Assets | (225,623) | (5,862,713) | (54,972) | (1,142,423) | (495,521) | (7,781,252) |
| Proceeds from Sale of Capital Assets | - | 26,000 | - | - | - | 26,000 |
| Payments on Debt Principal | (2,866,631) | - | (715,793) | (365,824) | (224,095) | (4,172,343) |
| Proceeds from Debt Issuance | - | 6,659,286 | - | - | 564,967 | 7,224,253 |
| Bond Issuance Costs | - | (149,515) | - | - | (10,992) | (160,507) |
| Cash Paid for Interest | (138,860) | - | (142,162) | (162,218) | (73,378) | (516,618) |
| **NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES** | (3,066,095) | 673,058 | (912,927) | (1,670,465) | (216,470) | (5,192,899) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Net Sales (Purchase) of Investments | (560,000) | (3,021,068) | 75,912 | (13,526,392) | (1,045,601) | (18,077,149) |
| Interest Income | 32,659 | 125,693 | - | 310,498 | 70,791 | 539,641 |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | (527,341) | (2,895,375) | 75,912 | (13,215,894) | (974,810) | (17,537,508) |
| Net Change in Cash and Cash Equivalents | (665,666) | (670,168) | 40,567 | (11,852,035) | (427,871) | (13,575,173) |
| Cash and Cash Equivalents - Beginning of Year | 1,074,061 | 1,183,119 | (743,052) | 21,667,961 | 1,773,503 | 24,955,592 |
| Cash and Cash Equivalents - End of Year | 408,395 | 512,951 | (702,485) | 9,815,926 | 1,345,632 | 11,380,419 |
| Investments | 3,060,598 | 11,180,342 | 702,485 | 13,976,824 | 2,727,344 | 31,647,593 |
| Total Cash, Cash Equivalents, and Investments | $ 3,468,993 | $ 11,693,293 | $ - | $ 23,792,750 | $ 4,072,976 | $ 43,028,012 |

# CITY OF WINDOM, MINNESOTA
## STATEMENT OF CASH FLOWS (Continued)
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2023

| | Wastewater Fund | Electric Fund | Telecom Fund | April 30, 2023 Windom Area Health Fund | Nonmajor Proprietary Funds | Totals |
|---|---|---|---|---|---|---|
| **RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | | |
| Net Operating Income (Loss) | $ 66,385 | $ 582,968 | $ 641,509 | $ 913,366 | $ (239,502) | $ 1,964,726 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation and Amortization | 967,628 | 630,971 | 334,750 | 1,719,947 | 545,042 | 4,198,338 |
| Changes in Assets, Liabilities, and Deferrals: | | | | | | |
| Accounts Receivable | (37,673) | 244,157 | (15,195) | (348,737) | (22,405) | (179,853) |
| Inventory | 10,720 | (194,852) | 1,143 | 55,092 | 17,995 | (109,902) |
| Prepaids | - | - | - | (63,754) | (1,890) | (65,644) |
| Leases Receivable | - | - | (68,397) | - | - | (68,397) |
| Accounts Payable | (30,683) | 409,639 | (24,657) | 117,415 | (17,200) | 454,514 |
| Salaries Payable | - | - | - | 192,581 | - | 192,581 |
| Claims Payable | - | - | - | (362,729) | - | (362,729) |
| Other Current Liabilities | - | - | 935 | - | (176) | 759 |
| Unearned Revenue | - | (4,925) | - | - | 7,453 | 2,528 |
| Net OPEB Liability | (2,630) | (6,569) | (5,253) | (102,404) | (13,138) | (129,994) |
| Net Pension Liability | (72,632) | (162,009) | (125,400) | 4,323,500 | (200,312) | 3,763,147 |
| Deferred Outflows of Resources - OPEB | (345) | (861) | (689) | 2,389 | (1,722) | (1,228) |
| Deferred Outflows of Resources - Pensions | 28,259 | 61,429 | 45,755 | 534,777 | 78,465 | 748,685 |
| Deferred Inflows of Resources - OPEB | - | - | - | 93,469 | - | 93,469 |
| Deferred Inflows of Resources - Pensions | 54,171 | 109,883 | 85,483 | (4,132,652) | 157,545 | (3,725,570) |
| Deferred Inflows of Resources - Leases | - | - | 63,844 | - | - | 63,844 |
| Compensated Absences | 3,879 | 10,232 | 1,858 | - | 17,120 | 33,089 |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | $ 987,079 | $ 1,680,063 | $ 935,686 | $ 2,942,260 | $ 327,275 | $ 6,872,363 |

# CITY OF WINDOM, MINNESOTA
# NOTES TO THE BASIC FINANCIAL STATEMENTS
# DECEMBER 31, 2023

## 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:

<u>Economic Development Authority of the City of Windom</u>
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.

<u>Windom Area Health</u>
Windom Area Health (WAH or Hospital) is an 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:

<u>Windom Area Health Foundation</u>
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 discreetly 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.

**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.

## 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.

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

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

### 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.

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. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. The City of Windom's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

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

### 1.E. 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.F. 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, 2023, restricted cash and investments of the Hospital consisted of deposits held in the form of a project and reserve fund, as required for the Revenue Hospital Bonds, Series 2014A.

#### 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.E. for details of interfund transactions, including receivables and payables at year-end.

#### Prepaids

Prepaids 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.

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

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

**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.

**Leases Receivable**

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of a lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

**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, 2023, the remaining balance of such loans amount to $240,255. 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 General Fund in the amount of $2,491,732 at December 31, 2023. Such loan was incurred for the purpose of assisting a local developer with financing the completion of an Affordable Housing Development project. The funds used by the City to issue this loan were received under a grant from the Minnesota Department of Employment and Economic Development.

At the end of the prior year, the City also carried a loan receivable in the Wastewater Fund in the amount of $2,154,528. 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. This business declared bankruptcy during 2023, and the City determined that the remaining balance of the loan, amounting to $1,999,133, was not collectable. However, the City did receive corresponding grant proceeds of $2,000,000 from the Minnesota Department of Employment and Economic Development during 2023 to mitigate the negative financial impact of these events.

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

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

**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, infrastructure, and leased 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 |

<u>Government-wide Statements</u>
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 or amortization of all exhaustible capital and leased assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation/amortization reflected in the Statement of Net Position. Depreciation or amortization is provided over the assets' estimated useful lives using the straight-line method.

<u>Fund Financial Statements</u>
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.

**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.

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

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

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 and other long-term obligations depends on whether the liabilities pertain to 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. 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.

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, grants receivable, and loans receivable 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. Finally, the City also reports deferred inflows of resources in both the fund level and government-wide financial statements in relation to certain leasing activities where the City is the lessor.

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.

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

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

**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/amortization 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, 2023 consist of inventory, property held for sale, advances to other funds, and the portions of loans and leases receivable that have 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.

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.F. for additional disclosures.

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

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

### 1.G. 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 30th 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.

**Special Assessments**

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

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the governmental fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

**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 $86,000 for the year ended April 30, 2023.

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

### 1.G. 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.E.

## 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;

## 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, 2023, 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.

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 Minnesota Municipal Money Market investments (the 4M Fund, included in Money Market Funds in the following table) 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.

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

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

Investment balances at December 31, 2023 are as follows:

| Investment Type | Moody Credit Rating | Fair Value Level | Fair Value | Investment Maturities (in Years) Less Than 1 | 1 - 5 |
|---|---|---|---|---|---|
| Money Market Funds | N/A | N/A | $ 15,384,229 | $ 15,384,229 | $ - |
| U.S. Government Bonds | Aaa | Level 2 | 1,494,516 | 494,906 | 999,610 |
| U.S. Treasury Securities | Aaa | Level 2 | 148,804 | 148,804 | - |
| Brokered Certificates of Deposit | NR | Level 2 | 4,377,373 | 4,377,373 | - |
| Totals | | | $ 21,404,922 | $ 20,405,312 | $ 999,610 |

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, 2023, 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.

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

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

**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 | $ | 31,343,201 |
| Investments | | 21,404,922 |
| Total | $ | 52,748,123 |
| *Government-wide* | | |
| Cash, Cash Equivalents, and Investments | $ | 51,875,768 |
| Restricted Cash | | 407,717 |
| *Discreetly Presented Component Unit* | | |
| Cash, Cash Equivalents, and Investments | | 464,638 |
| Total | $ | 52,748,123 |

### 2.B. LEASE RECEIVABLES

The City has executed various arrangements under which the City leases property to external parties. A summary of the pertinent terms for these leasing arrangements, as well as the corresponding lease receivables, is presented below:

*Governmental Activities:*

| Description | | Original Amount | Total Annual Lease Payment | Interest Rate(s) | Maturity Date | | Remaining Amount |
|---|---|---|---|---|---|---|---|
| Airport Property | $ | 7,407 | $1,625 | 4.75% | 12/31/2026 | $ | 4,544 |
| Farm Land | | 19,172 | $6,743 | 3.25% | 12/31/2024 | | 6,600 |
| | | | Total Governmental Activities Lease Receivables | | | $ | 11,144 |

*Business-Type Activities:*

| Description | | Original Amount | Total Annual Lease Payment | Interest Rate(s) | Maturity Date | | Remaining Amount |
|---|---|---|---|---|---|---|---|
| Fiber Racks (2) | $ | 113,872 | $16,800 | 3.25% | 8/31/2029 | $ | 86,841 |
| Fiber Rack | | 59,804 | $8,400 | 3.25% | 1/31/2030 | | 46,435 |
| Fiber Racks (3) | | 105,424 | $25,192 | 7.50% | 1/31/2028 | | 88,925 |
| | | | Total Business-Type Activities Lease Receivables | | | $ | 222,201 |

During the year ended December 31, 2023, the City recognized revenues from leasing activities under the arrangements above within governmental activities and business-type activities in the amount of $8,639 and $52,846, respectively.

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

### 2.C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

| | Balance at 01/01/23 | Additions | Disposals | Transfers | Balance at 12/31/23 |
|---|---|---|---|---|---|
| *Governmental Activities:* | | | | | |
| Capital Assets not Being Depreciated or Amortized | | | | | |
| Land | $ 232,961 | $ - | $ - | $ - | $ 232,961 |
| Construction In Progress | 162,525 | 847,739 | - | (667,496) | 342,768 |
| Total Capital Assets not Being Depreciated or Amortized | 395,486 | 847,739 | - | (667,496) | 575,729 |
| Capital Assets Being Depreciated and Amortized | | | | | |
| Buildings and Improvements | 14,084,935 | - | - | 93,942 | 14,178,877 |
| Furniture and Equipment | 208,689 | - | - | - | 208,689 |
| Machinery and Equipment | 9,826,573 | 39,287 | - | 477,082 | 10,342,942 |
| Infrastructure | 21,953,953 | - | - | 96,472 | 22,050,425 |
| Leased Vehicles and Equipment | 176,242 | - | (15,456) | - | 160,786 |
| Total Capital Assets Being Depreciated and Amortized | 46,250,392 | 39,287 | (15,456) | 667,496 | 46,941,719 |
| Less: Accumulated Depreciation | | | | | |
| Buildings and Improvements | (4,381,061) | (401,698) | - | - | (4,782,759) |
| Furniture and Equipment | (195,450) | (4,634) | - | - | (200,084) |
| Machinery and Equipment | (7,947,066) | (312,389) | - | - | (8,259,455) |
| Infrastructure | (11,745,618) | (498,924) | - | - | (12,244,542) |
| Less: Accumulated Amortization | | | | | |
| Leased Vehicles and Equipment | (51,763) | (50,935) | 11,747 | - | (90,951) |
| Total Accumulated Depreciation and Amortization | (24,320,958) | (1,268,580) | 11,747 | - | (25,577,791) |
| Total Capital Assets Being Depreciated and Amortized, Net | 21,929,434 | (1,229,293) | (3,709) | 667,496 | 21,363,928 |
| Capital Assets, Net | $ 22,324,920 | $ (381,554) | $ (3,709) | $ - | $ 21,939,657 |

Depreciation and amortization expense is charged to governmental activities as follows:

| | |
|---|---|
| General Government | $ 312,629 |
| Public Safety | 344,507 |
| Public Works | 486,376 |
| Parks and Recreation | 38,642 |
| Economic Development | 86,426 |
| Total Depreciation and Amortization Expense | $ 1,268,580 |

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

### 2.C. CAPITAL ASSETS (Continued)

| | Balance at 01/01/23 | Additions | Disposals | Transfers | Balance at 12/31/23 |
|---|---|---|---|---|---|
| *Business-Type Activities:* | | | | | |
| Capital Assets not Being Depreciated or Amortized | | | | | |
| Land | $ 519,424 | $ - | $ - | $ - | $ 519,424 |
| Construction In Progress | 951,019 | 7,333,647 | - | (954,687) | 7,329,979 |
| Total Capital Assets not Being Depreciated or Amortized | 1,470,443 | 7,333,647 | - | (954,687) | 7,849,403 |
| Capital Assets Being Depreciated and Amortized | | | | | |
| Buildings and Improvements | 44,904,548 | - | - | (177,000) | 44,727,548 |
| Furniture and Equipment | 16,632,811 | 803,000 | - | 177,000 | 17,612,811 |
| Machinery and Equipment | 18,701,164 | 135,573 | (27,440) | 459,528 | 19,268,825 |
| Infrastructure | 34,881,248 | 27,000 | - | 495,159 | 35,403,407 |
| Leased Vehicles and Equipment | 27,299 | 632,452 | - | - | 659,751 |
| Total Capital Assets Being Depreciated and Amortized | 115,147,070 | 1,598,025 | (27,440) | 954,687 | 117,672,342 |
| Less: Accumulated Depreciation | | | | | |
| Buildings and Improvements | (19,351,639) | (1,197,519) | - | - | (20,549,158) |
| Furniture and Equipment | (9,565,173) | (921,336) | - | - | (10,486,509) |
| Machinery and Equipment | (12,006,794) | (665,373) | 22,410 | - | (12,649,757) |
| Infrastructure | (18,730,655) | (1,315,895) | - | - | (20,046,550) |
| Less: Accumulated Amortization | | | | | |
| Leased Vehicles and Equipment | (1,388) | (195,288) | - | - | (196,676) |
| Total Accumulated Depreciation and Amortization | (59,655,649) | (4,295,411) | 22,410 | - | (63,928,650) |
| Total Capital Assets Being Depreciated and Amortized, Net | 55,491,421 | (2,697,386) | (5,030) | 954,687 | 53,743,692 |
| Capital Assets, Net | $ 56,961,864 | $ 4,636,261 | $ (5,030) | $ - | $ 61,593,095 |

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

### 2.D. NONCURRENT LIABILITIES

The reporting entity's noncurrent liabilities are 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, 2023, the long-term debt of the financial reporting entity consists of the following:

| Description | Original Issue Amount | Interest Rates | Final Maturity Date | Balance Outstanding |
|---|---|---|---|---|
| *Governmental Activities:* | | | | |
| General Obligation Bonds: | | | | |
| GO Improvement Bonds, Series 2017A | $ 2,870,000 | 3.00-3.25% | 2039 | $ 2,360,000 |
| GO Improvement Bonds, Series 2017C (2009A Refund) | 830,000 | 2.00% | 2025 | 250,000 |
| GO Improvement Bonds, Series 2018A | 1,015,000 | 3.00-3.40% | 2026 | 465,000 |
| GO Improvement Bonds, Series 2020B | 3,135,000 | 2.25-3.00% | 2041 | 2,860,000 |
| GO Improvement Bonds, Series 2020C | 345,000 | 2.00-3.00 | 2041 | 315,000 |
| GO Refunding Bonds, Series 2020D (2013A Refund) | 1,600,000 | 1.15-2.00% | 2034 | 1,315,000 |
| GO Refunding Bonds, Series 2020D (2016 Lease Refund) | 1,680,000 | 1.15-2.00% | 2037 | 1,500,000 |
| Total Governmental Activities - GO Bonds | | | | 9,065,000 |
| Lease Liabilities: | | | | |
| Police 2021 Equinox | 13,348 | 3.97% | 2026 | 7,592 |
| Police 2022 Ford Interceptor | 26,373 | 6.71% | 2027 | 19,027 |
| Police 2020 Ford F150 | 20,970 | 5.00% | 2025 | 8,470 |
| Police 2021 Ford Interceptor | 28,483 | 4.00% | 2025 | 13,090 |
| Police 2019 Ford F150 | 29,322 | 3.60% | 2024 | 5,239 |
| Police Equipment | 14,697 | 5.00% | 2025 | 6,174 |
| Total Governmental Activities - Lease Liabilities | | | | 59,592 |
| Total Governmental Activities Debt | | | | $ 9,124,592 |

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

### 2.D. NONCURRENT LIABILITIES (Continued)

| Description | Original Issue Amount | Interest Rates | Final Maturity Date | Balance Outstanding |
|---|---|---|---|---|
| *Business-Type Activities:* | | | | |
| General Obligation Bonds: | | | | |
| GO Improvement Bonds, Series 2017A | $ 1,150,000 | 3.00-3.25% | 2039 | $ 920,000 |
| GO Equipment - Telecom Upgrade | 855,000 | 3.00% | 2027 | 400,000 |
| GO Equipment Certificates, Series 2018A | 1,095,000 | 3.00-3.40% | 2038 | 875,000 |
| GO Improvement Bonds, Series 2020B | 1,105,000 | 2.25-3.00% | 2041 | 1,015,000 |
| GO Refunding Bonds, Series 2020D (2011A Refund) | 1,805,000 | 1.15-2.00% | 2029 | 1,365,000 |
| GO Refunding Bonds, Series 2020D (2013A Refund) | 1,230,000 | 1.15-2.00% | 2034 | 1,060,000 |
| GO Equipment and Tax Abatement Bonds, Series 2023B | 6,905,000 | 4.25-5.00% | 2043 | 6,905,000 |
| Total Business-Type Activities - GO Bonds | | | | 12,540,000 |
| General Obligation Revenue Bonds: | | | | |
| GO Revenue Hospital Bonds, Series 2014A | 5,600,000 | 1.00% | 2034 | 3,790,000 |
| Communication System Annual Appropriation Refunding Bonds, Series 2020A | 7,820,000 | 1.95% | 2032 | 6,042,000 |
| Total Business-Type Activities - Revenue Bonds | | | | 9,832,000 |
| Notes Payable: | | | | |
| River Bluff Townhomes - Bank of the West | 488,847 | 2.01% | 2031 | 182,001 |
| River Bluff Townhomes - MHFA | 353,305 | 0.00% | 2031 | 353,305 |
| River Bluff Townhomes - GMHF | 180,000 | 0.00% | 2031 | 155,132 |
| CWRF Wastewater Treatment Plant | 9,624,333 | 1.00% | 2038 | 3,908,843 |
| Total Business-Type Activities - Notes Payable | | | | 4,599,281 |
| Lease Liabilities: | | | | |
| Medical Equipment - Windom Area Health | 573,386 | 3.00% | 2026 | 452,562 |
| Telecom Ford F250 | 27,299 | 7.40% | 2027 | 20,933 |
| Total Business-Type Activities - Lease Liabilities | | | | 473,495 |
| Total Business-Type Activities Debt | | | | $ 27,444,776 |

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

### 2.D. NONCURRENT LIABILITIES (Continued)

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2023:

| Type of Debt | Balance 01/01/23 | Additions | Deductions | Balance 12/31/23 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Obligation Bonds | $ 10,020,000 | $ - | $ (955,000) | $ 9,065,000 | $ 805,000 |
| Unamortized Bond Premium | 348,616 | - | (26,737) | 321,879 | - |
| Lease Liabilities | 109,511 | - | (49,919) | 59,592 | 32,914 |
| Compensated Absences | 280,707 | - | (21,383) | 259,324 | - |
| Total | $ 10,758,834 | $ - | $ (1,053,039) | $ 9,705,795 | $ 837,914 |
| Business-Type Activities: | | | | | |
| General Obligation Bonds | $ 6,220,000 | $ 6,905,000 | $ (585,000) | $ 12,540,000 | $ 555,000 |
| General Obligation Revenue Bonds | 10,688,000 | - | (856,000) | 9,832,000 | 874,000 |
| Unamortized Bond Premium | 308,987 | 319,253 | (36,455) | 591,785 | - |
| Unamortized Bond Discount | (53,376) | - | 4,750 | (48,626) | - |
| Notes Payable - Direct Borrowing | 7,201,951 | 3,057 | (2,605,727) | 4,599,281 | 237,463 |
| Lease Liabilities | 25,725 | 573,386 | (125,616) | 473,495 | 129,657 |
| Compensated Absences | 359,575 | 33,089 | - | 392,664 | - |
| Total | $ 24,750,862 | $ 7,833,785 | $ (4,204,048) | $ 28,380,599 | $ 1,796,120 |

Governmental activity debt is typically funded through Debt Service Fund, Economic Development Fund, and Capital Projects Fund. Governmental lease liabilities are typically funded through the General 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.

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

### 2.D. NONCURRENT LIABILITIES (Continued)

**Annual Debt Service Requirements**

At December 31, 2023, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

| Governmental Activities | | | |
|---|---|---|---|
| Years Ending | General Obligation Bonds | | |
| December 31, | Principal | Interest | Total |
| 2024 | $ 805,000 | $ 214,105 | $ 1,019,105 |
| 2025 | 830,000 | 193,230 | 1,023,230 |
| 2026 | 730,000 | 173,005 | 903,005 |
| 2027 | 585,000 | 155,955 | 740,955 |
| 2028 | 605,000 | 140,855 | 745,855 |
| 2029-2033 | 2,800,000 | 489,820 | 3,289,820 |
| 2034-2038 | 2,125,000 | 197,853 | 2,322,853 |
| 2039-2041 | 585,000 | 19,189 | 604,189 |
| Totals | $ 9,065,000 | $ 1,584,012 | $ 10,649,012 |

| Governmental Activities | | | |
|---|---|---|---|
| Years Ending | Lease Liabilities | | |
| December 31, | Principal | Interest | Total |
| 2024 | $ 32,914 | $ 2,125 | $ 35,039 |
| 2025 | 16,896 | 909 | 17,805 |
| 2026 | 7,221 | 361 | 7,582 |
| 2027 | 2,561 | 29 | 2,590 |
| Totals | $ 59,592 | $ 3,424 | $ 63,016 |

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

### 2.D. NONCURRENT LIABILITIES (Continued)

Business-Type Activities

| Years Ending December 31, | General Obligation Bonds Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 555,000 | $ 352,879 | $ 907,879 |
| 2025 | 745,000 | 443,264 | 1,188,264 |
| 2026 | 810,000 | 419,039 | 1,229,039 |
| 2027 | 850,000 | 392,589 | 1,242,589 |
| 2028 | 725,000 | 367,039 | 1,092,039 |
| 2029-2033 | 3,120,000 | 1,486,273 | 4,606,273 |
| 2034-2038 | 3,060,000 | 889,006 | 3,949,006 |
| 2039-2041 | 2,675,000 | 284,226 | 2,959,226 |
| Totals | $ 12,540,000 | $ 4,634,315 | $ 17,174,315 |

Business-Type Activities

| Years Ending December 31, | General Obligation Revenue Bonds Principal | Interest | Total |
|---|---|---|---|
| 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 | 945,000 | 190,149 | 1,135,149 |
| 2028 | 966,000 | 166,293 | 1,132,293 |
| 2029-2033 | 4,473,000 | 446,294 | 4,919,294 |
| 2034-2035 | 765,000 | 32,059 | 797,059 |
| Totals | $ 9,832,000 | $ 1,538,748 | $ 11,370,748 |

Business-Type Activities

| Years Ending December 31, | Notes Payable - Direct Borrowing Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 237,463 | $ 32,977 | $ 270,440 |
| 2025 | 242,679 | 40,085 | 282,764 |
| 2026 | 246,118 | 37,939 | 284,057 |
| 2027 | 249,567 | 35,764 | 285,331 |
| 2028 | 253,025 | 33,561 | 286,586 |
| 2029-2033 | 1,940,049 | 121,167 | 2,061,216 |
| 2034-2038 | 1,430,380 | 43,250 | 1,473,630 |
| Totals | $ 4,599,281 | $ 344,743 | $ 4,944,024 |

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

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

| Business-Type Activities | | | |
|---|---|---|---|
| Years Ending | Lease Liabilities | | |
| December 31, | Principal | Interest | Total |
| 2024 | $ 129,657 | $ 13,143 | $ 142,800 |
| 2025 | 133,839 | 9,411 | 143,250 |
| 2026 | 138,166 | 5,577 | 143,743 |
| 2027 | 71,833 | 1,866 | 73,699 |
| Totals | $ 473,495 | $ 29,997 | $ 503,492 |

Interest expense totals $740,139 in the Statement of Activities (included in Debt Service, Wastewater, Telecom, Windom Area Health, Water, Arena, and River Bluff Townhomes lines). Interest expenditures total $245,694 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and $502,321 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 was $9,624,333, of which $8,909,643 was drawn to complete the corresponding improvements. During 2023, an additional repayment of $2,000,000 was made on this loan using grant proceeds from the Minnesota Department of Employment and Economic Development, as previously discussed in the "Loans Receivable" section of Note 1.F.

The City's remaining outstanding notes from direct borrowings totaling $690,438 reported under business-type activities relate to the River Bluff Townhomes. These outstanding notes are secured by the related properties. 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 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, 2023.

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

### 2.D. NONCURRENT LIABILITIES (Continued)

Hospital Lease Obligations
The lease obligations of the Hospital consist of a lease for medical equipment. The lease has a monthly payment of $10,541, with an interest rate of 3% and maturity date in 2026.

### 2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2023:

| | | Transfers In | | | | | |
|---|---|---|---|---|---|---|---|
| | | Major Funds | | | Nonmajor Funds | | |
| Major Funds | Transfers Out | General | Debt Service | Wastewater | Governmental | Proprietary | Total |
| General | $ 2,357,065 | $ - | $ 283,631 | $ 2,000,000 | $ - | $ 73,434 | $ 2,357,065 |
| Wastewater | 59,332 | 750 | 58,582 | - | - | - | 59,332 |
| Electric | 200,750 | 175,750 | - | - | 25,000 | - | 200,750 |
| Telecom | 2,250 | 2,250 | - | - | - | - | 2,250 |
| | 2,619,397 | 178,750 | 342,213 | 2,000,000 | 25,000 | 73,434 | 2,619,397 |
| Nonmajor Funds | | | | | | | |
| Water | 58,076 | 750 | 57,326 | - | - | - | 58,076 |
| Liquor | 100,000 | 70,000 | - | - | 30,000 | - | 100,000 |
| | 158,076 | 70,750 | 57,326 | - | 30,000 | - | 158,076 |
| Total | $ 2,777,473 | $ 249,500 | $ 399,539 | $ 2,000,000 | $ 55,000 | $ 73,434 | $ 2,777,473 |

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:

| Long-Term Advances | | | |
|---|---|---|---|
| Advances From | Advances To | Amount | Reason |
| General | Economic Development | $ 489,027 | Eliminate negative cash for TIF Districts |

| Short-Term Balances | | | |
|---|---|---|---|
| Due To Fund | Due From Fund | Amount | Purpose |
| Electric | Telecom | $ 3,381 | Eliminate negative cash |
| General | 2025 Street Project | 10,960 | Eliminate negative cash |
| Total Interfund Balances | | 503,368 | |
| Governmental Fund Elimination | | (499,987) | |
| Business-type fund elimination | | (3,381) | |
| Total Government-Wide Internal Balances | | $ - | |

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

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

### 2.F. FUND EQUITY

At December 31, 2023, governmental fund equity consists of the following:

| | Nonspendable | Restricted | Committed | Assigned | Unassigned |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Nonspendable - Inventory | $ 83,447 | $ - | $ - | $ - | $ - |
| Nonspendable - Loans Receivable, Net of Deferral | 2,491,732 | - | - | - | - |
| Nonspendable - Advances to Other Funds | 489,027 | - | - | - | - |
| Restricted for Lions Club Park Shelter | - | 1,210 | - | - | - |
| Committed for Donations - Fire, Well, and Park | - | - | 77,083 | - | - |
| Assigned for Airport | - | - | - | 228,029 | - |
| Assigned for Capital Projects | - | - | - | 360,728 | - |
| Assigned for Dilapidated Housing Program Fund | - | - | - | 38,515 | - |
| Assigned for Library | - | - | - | 258,703 | - |
| Assigned for Police Donations and Forfeits | - | - | - | 4,860 | - |
| Assigned for Pool | - | - | - | 68,594 | - |
| Assigned for Payroll | - | - | - | 2 | - |
| Assigned for Sick Pay At Retirement | - | - | - | 194,513 | - |
| Unassigned | - | - | - | - | 2,551,003 |
| Total General Fund Balance | $ 3,064,206 | $ 1,210 | $ 77,083 | $ 1,153,944 | $ 2,551,003 |
| Debt Service Fund | | | | | |
| Restricted for Debt Service | $ - | $ 1,913,240 | $ - | $ - | $ - |
| Nonmajor Governmental Funds | | | | | |
| Nonspendable - Property Held for Sale | $ 94,975 | $ - | $ - | $ - | $ - |
| Nonspendable - Loans Receivable, Net of Deferral | 58,659 | - | - | - | - |
| Nonspendable - Leases Receivable | 209 | - | - | - | - |
| Restricted for Economic Development | - | 807,360 | - | - | - |
| Restricted for Capital Projects | - | 59,481 | - | - | - |
| Assigned for Public Safety - Ambulance | - | - | - | 2,390,265 | - |
| Unassigned | - | - | - | - | (10,960) |
| Total Nonmajor Governmental Funds Balance | $ 153,843 | $ 866,841 | $ - | $ 2,390,265 | $ (10,960) |

Additionally, nonmajor funds with deficit fund balances or net positions at December 31, 2023 are as follows:

| Nonmajor Funds | Fund Deficit |
|---|---|
| 2025 Street Project Fund | $ (10,960) |
| River Bluff Townhomes Fund | $ (43,942) |

## 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 are covered by the General Employees 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.

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 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 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 1.50 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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 2023 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, 2023 were $850,092. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions
Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023 were $138,954. The City's contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs
At December 31, 2023, the City reported a liability of $10,889,085 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 $315,979.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1476 percent at the end of the measurement period and 0.1428 percent for the beginning of the period.

| | |
|---|---|
| City's proportionate share of the net pension liability: | $10,889,085 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 315,979 |
| Total | $11,205,064 |

For the year ended December 31, 2023, the City recognized pension expense of $1,432,982 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized $39,540 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

At December 31, 2023, 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:

**GERF**

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| Differences between expected and actual economic experience | $ | 137,926 | $ | 110,142 |
| Changes in actuarial assumptions | | 2,365,547 | | 563,706 |
| Difference between projected and actual investment earnings* | | 155,513 | | 135,586 |
| Changes in proportionate share | | 384,318 | | 68,327 |
| Contributions paid to PERA subsequent to the measurement date | | 661,173 | | - |
| Total Deferred Outflows/Inflows | $ | 3,704,477 | $ | 877,761 |

* The $155,513 balance noted above pertains solely to the Windom Area Health component unit.

The $661,173 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, 2024. 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 | |
|---|---|---|
| 2024 | $ | 978,596 |
| 2025 | $ | 592,340 |
| 2026 | $ | (174,454) |
| 2027 | $ | 769,061 |

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of $991,224 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0574 percent at the end of the measurement period and 0.0587 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, 2023. 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, 2022. 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. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $39,919.

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

| | |
|---|---|
| City's proportionate share of the net pension liability: | $ 991,224 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 39,919 |
| Total | $1,031,143 |

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, 2023, the City recognized pension expense of negative $35,412 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized negative $2,404 as grant revenue and pension expense 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 $5,165 for the year ended December 31, 2023 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.

At December 31, 2023, 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 | $ 272,372 | $ - |
| Changes in actuarial assumptions | 1,143,612 | 1,393,381 |
| Difference between projected and actual investment earnings | - | 9,708 |
| Changes in proportionate share | 29,080 | 66,309 |
| Contributions paid to PERA subsequent to the measurement date | 75,103 | - |
| Total Deferred Outflows/Inflows | $ 1,520,167 | $ 1,469,398 |

The $75,103 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, 2024. 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 |
|---|---|
| 2024 | $ 47,955 |
| 2025 | $ 12,735 |
| 2026 | $ 235,097 |
| 2027 | $ (64,767) |
| 2028 | $ (255,354) |

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

Total Pension Expense
The total pension expense for all plans recognized by the City for the year ended December 31, 2023 was $1,397,570.

**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 | 33.50% | 5.10% |
| International Equity | 16.50% | 5.30% |
| Fixed Income | 25.00% | 0.75% |
| Private Markets | 25.00% | 5.90% |
| Total | 100% | |

**Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023 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 7.0 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 7.0 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 Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.0 percent for the Police and Fire Plan.

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 27 years of service. 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 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 2023:

General Employees Fund
Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

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

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.00 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 | 6.00% | $ | 17,564,461 | 6.00% | $ | 1,966,705 |
| Current Discount Rate | 7.00% | $ | 10,889,085 | 7.00% | $ | 991,224 |
| 1% Increase in Discount Rate | 8.00% | $ | 5,410,723 | 8.00% | $ | 189,247 |

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

### Pension Plan Fiduciary Net Position

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

## NOTE 4 DEFINED CONTRIBUTION PENION 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.

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 2023 were:

| Contribution Amount | | Percentage of Covered Payroll | | Required |
|---|---|---|---|---|
| Employee | Employer | Employee | Employer | Rate |
| $18,943 | $18,943 | 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 28 active participants and 4 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 $3,000 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.

## NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum $3,000 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.

### 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 $59,822 in fire state aid, which the City remitted to the Relief Association during the year ended December 31, 2023. 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, 2023.

### Pension Costs

At December 31, 2023, the City of Windom reported a net pension asset of $515,050 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2022, as determined by an actuarial valuation as of December 31, 2022.

For the year ended December 31, 2023, the City recognized pension expense of negative $20,240 for the Association. The City also recognized $56,390, 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:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---|---|---|
| Beginning Balance 12/31/21 | $ 736,482 | $ 1,480,883 | $ (744,401) |
| Service Cost | 45,130 | - | 45,130 |
| Interest on Pension Liability | 39,763 | - | 39,763 |
| Difference Between Expected and Actual Experience | 7,124 | - | 7,124 |
| Assumption Changes | 16,692 | - | 16,692 |
| Contributions (State) | - | 56,390 | (56,390) |
| Asset (Gain)/Loss | - | (175,707) | 175,707 |
| Benefit Payouts | (180,150) | (180,150) | - |
| Administrative Fee | - | (1,325) | 1,325 |
| Net Changes | (71,441) | (300,792) | 229,351 |
| Balance End of Period 12/31/22 | $ 665,041 | $ 1,180,091 | $ (515,050) |

**NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION** (Continued)

At December 31, 2023, 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 | $ 6,473 | $ 58,011 |
| Changes in actuarial assumptions | 36,944 | 3,349 |
| Difference between projected and actual investment earnings | 107,187 | - |
| Total Deferred Outflows/Inflows | $ 150,604 | $ 61,360 |

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 |
|---|---|
| 2024 | $ (10,224) |
| 2025 | $ 21,187 |
| 2026 | $ 28,542 |
| 2027 | $ 49,650 |
| 2028 | $ (878) |
| 2029-2033 | $ 967 |

**Actuarial Assumptions**

The total pension asset measured at December 31, 2022 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

| Assumptions | Rates |
|---|---|
| Investment Rate of Return (Discount) | 5.00% |
| Expected Long-Term Rate of Return | 5.00% |
| Inflation Rate | 2.50% |
| Interest on Deferred Amounts | 0.00% |

The following changes in actuarial assumptions were implemented during the most recent measurement period:

- The expected investment return and discount rate decreased from 5.75% to 5.00% to reflect updated capital market assumptions.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption increased from 2.25% to 2.50%.

There were no changes made to plan provisions during 2022.

## 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:

| | 1% Decrease in Discount Rate (4.00%) | Discount Rate (5.00%) | 1% Increase in Discount Rate (6.00%) |
|---|---|---|---|
| Net Pension Asset | $ 488,878 | $ 515,050 | $ 540,409 |

### Plan Investments

Asset Allocation
The long-term expected rate of return on pension plan investments is 5.00%. 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:

| Asset Class | Target Allocation at Measurement Date | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 53.00% | 4.10% |
| International Equity | 13.00% | 4.64% |
| Fixed Income | 20.00% | 1.05% |
| Real Estate and Alternatives | 1.00% | 3.54% |
| Cash and Cash Equivalents | 13.00% | -0.45% |

### 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 single-employer defined benefit plans that provide health insurance to eligible employees and their spouses through the City's health insurance plan. Eligible employees of the City's Hospital blended component unit receive benefits under a separate plan. There are 41 active participants and 3 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 plans do not issue publicly available financial reports.

### 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.

## 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, 2023, the City did not make any direct contributions to the plan, but an implicit rate subsidy was calculated in the amount of $31,412.

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

At December 31, 2023, the City reported a combined net OPEB liability of $435,401 for the City's plans. The net OPEB liability of the general City plan was measured as of December 31, 2022, based on an actuarial valuation as of December 31, 2021. The net OPEB liability of the Hospital plan was measured as of April 30, 2023, based on an actuarial valuation as of that date.

For the year ended December 31, 2023, the City recognized OPEB expense of negative $63,279. At December 31, 2023, 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 | $ - | $ 55,219 |
| Changes in actuarial assumptions | 10,145 | 88,229 |
| Contributions paid subsequent to the measurement date | 31,412 | - |
| Total Deferred Outflows/Inflows | $ 41,557 | $ 143,448 |

The $31,412 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, 2024. 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 |
|---|---|
| 2024 | $ (26,661) |
| 2025 | $ (26,661) |
| 2026 | $ (26,661) |
| 2027 | $ (26,661) |
| 2028 | $ (26,659) |

## 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, 2023:

| | City of Windom December 31, 2023 | Windom Area Health April 30, 2023 | Total |
|---|---|---|---|
| Changes in Total OPEB Liability (TOL) | | | |
| Balance at Beginning of Year | $ 434,996 | $ 164,541 | $ 599,537 |
| Service Cost | 39,006 | 20,327 | 59,333 |
| Interest Cost | 8,507 | 3,589 | 12,096 |
| Changes in Assumptions | (85,926) | (88,398) | (174,324) |
| Differences between Expected and Actual Experience | - | (32,592) | (32,592) |
| Benefit Payments | (23,319) | (5,330) | (28,649) |
| Balance at End of Year | $ 373,264 | $ 62,137 | $ 435,401 |

### 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:

General City Plan

| Key Methods and Assumptions Used in Valuation of Total OPEB Liability | |
|---|---|
| **Actuarial Information:** | |
| Valuation Date | December 31, 2021 |
| Measurement Date | December 31, 2022 |
| Actuarial Cost Method | Entry Age Normal, level percentage of pay |
| Actuarial Assets | None |
| **Actuarial Assumptions:** | |
| Discount Rate | 4.05% |
| Inflation | 2.25% |
| Bond Yield | 4.05% |
| Medical Trend Rate | 6.20% for 2022 gradually decreasing to an ultimate rate of 3.70% by 2074 and later years |

Mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

Changes to actuarial assumptions since the prior valuation:

- The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates.

There were no changes to plan provisions since the prior measurement date.

**NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS** (Continued)

Hospital Plan

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

| Actuarial Information: | |
|---|---|
| Valuation Date | April 30, 2023 |
| Measurement Date | April 30, 2023 |
| Actuarial Cost Method | Entry Age Normal, level percentage of pay |
| Actuarial Assets | None |

| Actuarial Assumptions: | |
|---|---|
| Discount Rate | 3.42% |
| Inflation | 2.50% |
| Bond Yield | 3.42% |
| Medical Trend Rate | 6.80% for 2023 gradually decreasing to an ultimate rate of 3.90% by 2076 and later years |

Mortality rates were based on assumptions for the General Employees used in the July 1, 2022 PERA of Minnesota Retirement Plan actuarial valuations.

Changes to actuarial assumptions since the prior valuation:

- The discount rate was changed from 1.97% to 3.42% based on updated 20-year municipal bond rates.

There were no changes to plan provisions since the prior measurement date.

**Net OPEB Liability Sensitivity**

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

Sensitivity of Net OPEB Liability at Current Single Discount Rate

| | Amounts |
|---|---|
| 1% Increase in Discount Rate | $ 397,045 |
| Current Discount Rate | $ 435,401 |
| 1% Decrease in Discount Rate | $ 478,060 |

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 | $ 500,614 |
| Current Healthcare Trend Rates | $ 435,401 |
| 1% Decrease in Healthcare Trend Rates | $ 381,382 |

## 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 46% for the year ended 2023, and revenue from the Medicaid programs accounted for approximately 10% for the year ended 2023, 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 2023 net patient service revenue increased approximately $16,000.

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:

| | 2023 |
|---|---|
| Gross Patient Service Revenue | $ 49,407,564 |
| *Adjustments and Discounts:* | |
| Medicare | (13,665,877) |
| Medicaid | (4,919,401) |
| Other | (4,649,801) |
| Provisions for Bad Debt | (637,761) |
| Total Adjustments and Discounts | (23,872,840) |
| Net Patient Service Revenue | $ 25,534,724 |

Patient accounts receivable reported as current assets by the Hospital at April 30, 2023 consist of these amounts:

| | |
|---|---|
| Receivable from Patients and Their Insurance Carriers | $ 2,259,703 |
| Receivable from Medicare | 1,541,203 |
| Receivable from Medicaid | 423,529 |
| Total Patient Accounts Receivable | 4,224,435 |
| Less: Allowance for Uncollectible Amounts | (415,000) |
| Net Patient Accounts Receivable | $ 3,809,435 |

## 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.

**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.

### 8.B. COMMITMENTS AND CONTINGENCIES

**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 $334,863 year ended April 30, 2023.

The Hospital also purchases certain services, supplies and other items through Sanford's network. Amount due to Sanford was $202,000 at April 30, 2023.

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.

## NOTE 8 OTHER NOTES (Continued)

### 8.B. COMMITMENTS AND CONTINGENCIES (Continued)

**Construction Contracts**

The City entered into various contracts during the year for equipment purchases and construction services. Remaining commitment under these contracts at December 31, 2023 totals approximately $9,459,000, not including retainage which has been accrued in these financial statements.

### 8.C. JOINT VENTURE

The Windom Area Health blended component unit reports its investment in Central Minnesota Diagnostics, Inc. (CMDI) on the equity method of accounting, which approximates the Hospital's equity in the underlying book value based on its most recent quarter ended March 31. The Hospital's share of net income from the investment, totaling $62,667 for the year ended April 30, 2023, is recognized as equity earnings included in Other Revenue in the proprietary fund statement of revenues, expenses, and changes in net position.

### 8.D. 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 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, 2023, the City made payments of excess tax increment in the amount of $226,701. The total outstanding balance of pay-as-you-go debt being financed via these tax increment payments approximates $2,138,000 as of December 31, 2023. No other commitments were made by the City as part of these agreements.

### 8.E. 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.F. SUBSEQUENT EVENTS

Subsequent to the April 30, 2023 year-end of the Windom Area Health (the Hospital) blended component unit and prior to the issuance of these financial statements, the Hospital issued Health Care Facilities Gross Revenue Bonds in the amount of $20,138,646. The proceeds from the issuance are to be used to help finance the construction of a medical office building. The bonds carry an interest rate of 5.7% and a final maturity date ending in 2043.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WINDOM, MINNESOTA**
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | Budgeted Amounts | | Actual Amounts Budgetary | Variance with Budget Over |
|---|---|---|---|---|
| | Original | Final | Basis | (Under) |
| **REVENUES** | | | | |
| **Taxes** | | | | |
| Property Taxes | $ 1,229,995 | $ 1,229,995 | $ 1,212,948 | $ (17,047) |
| Hotel/Motel Taxes | 50,000 | 50,000 | 50,899 | 899 |
| **Total Taxes** | 1,279,995 | 1,279,995 | 1,263,847 | (16,148) |
| **Special Assessments** | - | - | 7,878 | 7,878 |
| **Licenses and Permits** | 63,420 | 111,420 | 115,428 | 4,008 |
| **Intergovernmental Revenue** | | | | |
| Federal Revenue | | | | |
| Coronavirus Relief Funds | 137,500 | 137,500 | 71,099 | (66,401) |
| State Revenue | | | | |
| Local Government Aid | 1,608,531 | 1,608,531 | 1,608,595 | 64 |
| Police and Fire Aid | 128,000 | 128,000 | 163,272 | 35,272 |
| Other State Grants and Aids | 22,846 | 4,514,578 | 4,740,595 | 226,017 |
| Local Revenue | | | | |
| Other Local Grants | 20,000 | 20,000 | 19,056 | (944) |
| **Total Intergovernmental Revenue** | 1,916,877 | 6,408,609 | 6,602,617 | 194,008 |
| **Charges for Services** | | | | |
| General Government | 32,500 | 66,900 | 74,363 | 7,463 |
| Police and Fire Contracts | 252,100 | 282,100 | 319,157 | 37,057 |
| Libraries | 500 | 500 | 2,329 | 1,829 |
| Parks and Recreation | 59,100 | 59,100 | 53,166 | (5,934) |
| Airports | 123,100 | 123,100 | 145,352 | 22,252 |
| Other Service Charges | 5,000 | 5,000 | 3,523 | (1,477) |
| **Total Charges for Services** | 472,300 | 536,700 | 597,890 | 61,190 |
| **Fines and Forfeitures** | 9,500 | 9,500 | 19,803 | 10,303 |
| **Miscellaneous Revenue** | | | | |
| Investment Earnings | 57,500 | 57,500 | 229,261 | 171,761 |
| Sale of Assets | - | - | 13,850 | 13,850 |
| Contributions and Donations | 2,000 | 8,278 | 37,890 | 29,612 |
| Other Miscellaneous | 100 | 100 | 6,490 | 6,390 |
| **Total Miscellaneous Revenue** | 59,600 | 65,878 | 287,491 | 221,613 |
| **TOTAL REVENUES** | 3,801,692 | 8,412,102 | 8,894,954 | 482,852 |

**CITY OF WINDOM, MINNESOTA**
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND** (Continued)
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | Budgeted Amounts | | Actual Amounts Budgetary | Variance with Budget Over |
|---|---|---|---|---|
| | Original | Final | Basis | (Under) |
| **EXPENDITURES** | | | | |
| **General Government** | | | | |
| Mayor and Council | $ 124,779 | $ 166,979 | $ 186,156 | $ 19,177 |
| Administration and Finance | 144,251 | 144,251 | 154,159 | 9,908 |
| Other General Government | 40,550 | 40,550 | 39,190 | (1,360) |
| Capital Outlay | 31,500 | 31,500 | 44,781 | 13,281 |
| **Total General Government** | 341,080 | 383,280 | 424,286 | 41,006 |
| **Public Safety** | | | | |
| Police | | | | |
| Current | 1,488,357 | 1,488,357 | 1,448,631 | (39,726) |
| Capital Outlay | 39,000 | 39,000 | 66,179 | 27,179 |
| Fire | | | | |
| Current | 210,249 | 210,249 | 217,048 | 6,799 |
| Capital Outlay | 66,000 | 66,000 | 183,698 | 117,698 |
| Other Public Safety | | | | |
| Current | 234,773 | 234,773 | 217,908 | (16,865) |
| Capital Outlay | - | - | 6,757 | 6,757 |
| **Total Public Safety** | 2,038,379 | 2,038,379 | 2,140,221 | 101,842 |
| **Public Works** | | | | |
| Street Maintenance and Storm Sewers | 721,951 | 560,501 | 575,493 | 14,992 |
| Street Lighting | 20,000 | 20,000 | 20,287 | 287 |
| Capital Outlay - Other | 85,000 | 85,000 | 329,503 | 244,503 |
| **Total Public Works** | 826,951 | 665,501 | 925,283 | 259,782 |
| **Sanitation** | | | | |
| Garbage and Other Refuse | 28,500 | 28,500 | 18,284 | (10,216) |
| **Culture and Recreation** | | | | |
| Libraries | | | | |
| Current | 208,885 | 208,885 | 191,722 | (17,163) |
| Capital Outlay | 2,000 | 2,000 | 3,956 | 1,956 |
| Parks and Recreation | | | | |
| Current | 399,399 | 399,399 | 390,134 | (9,265) |
| Capital Outlay | 82,000 | 82,000 | 66,021 | (15,979) |
| **Total Culture and Recreation** | 692,284 | 692,284 | 651,833 | (40,451) |
| **Housing and Economic Development** | | | | |
| Housing and Urban Redevelopment | | | | |
| Current | 37,500 | 37,500 | - | (37,500) |

## CITY OF WINDOM, MINNESOTA
## BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
## FOR THE YEAR ENDED DECEMBER 31, 2023

| | Budgeted Amounts | | Actual Amounts Budgetary | Variance with Budget Over |
|---|---|---|---|---|
| | Original | Final | Basis | (Under) |
| **Miscellaneous Expenditures** | | | | |
| Airports | | | | |
| Current | $ 141,510 | $ 141,510 | $ 149,374 | $ 7,864 |
| Capital Outlay | 155,000 | 155,000 | 20,478 | (134,522) |
| **Total Miscellaneous Expenditures** | 296,510 | 296,510 | 169,852 | (126,658) |
| **Debt Service** | | | | |
| Principal Payments on Other Debt | - | - | 49,919 | 49,919 |
| Interest and Other Fiscal Charges | - | - | 4,154 | 4,154 |
| **Total Debt Service** | - | - | 54,073 | 54,073 |
| **TOTAL EXPENDITURES** | 4,261,204 | 4,141,954 | 4,383,832 | 241,878 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (459,512) | 4,270,148 | 4,511,122 | 240,974 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers | | | | |
| From Other Funds | 249,500 | 249,500 | 249,500 | - |
| To Other Funds | (73,434) | (2,356,588) | (2,357,065) | (477) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 176,066 | (2,107,088) | (2,107,565) | (477) |
| **NET CHANGE IN FUND BALANCE** | $ (283,446) | $ 2,163,060 | 2,403,557 | $ 240,497 |
| **FUND BALANCE - BEGINNING** | | | 4,443,889 | |
| **FUND BALANCE - ENDING** | | | $ 6,847,446 | |

**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 |
|---|---|---|---|---|---|---|---|
| ***General Employees Retirement Pension Plan*** | | | | | | | |
| 2023 | 0.1476% | $ 10,889,085 | $ 315,979 | $ 11,205,064 | $ 11,410,055 | 98.20% | 83.10% |
| 2022 | 0.1428% | $ 7,342,707 | $ 342,202 | $ 7,684,909 | $ 11,015,714 | 69.76% | 76.67% |
| 2021 | 0.1421% | $ 7,876,115 | $ 190,326 | $ 8,066,441 | $ 10,545,412 | 76.49% | 87.00% |
| 2020 | 0.0353% | $ 7,805,506 | $ 242,109 | $ 8,047,615 | $ 10,039,460 | 80.16% | 79.06% |
| 2019 | 0.0351% | $ 7,499,285 | $ 242,689 | $ 7,741,974 | $ 9,818,915 | 78.85% | 80.20% |
| 2018 | 0.0359% | $ 8,439,358 | $ 146,437 | $ 8,585,795 | $ 9,238,069 | 92.94% | 79.50% |
| 2017 | 0.0366% | $ 10,074,407 | $ 29,380 | $ 10,103,787 | $ 8,685,475 | 116.33% | 75.90% |
| 2016 | 0.0370% | $ 8,243,742 | $ 39,236 | $ 8,282,978 | $ 8,309,488 | 99.68% | 68.90% |
| 2015 | 0.0450% | $ 2,098,920 | $ - | $ 2,098,920 | $ 2,378,626 | 88.24% | 78.20% |
| ***Public Employees Police and Fire Pension Plan*** | | | | | | | |
| 2023 | 0.0574% | $ 991,224 | $ 39,919 | $ 1,031,143 | $ 747,729 | 137.90% | 86.47% |
| 2022 | 0.0587% | $ 2,554,392 | $ 111,473 | $ 2,665,865 | $ 737,390 | 361.53% | 70.53% |
| 2021 | 0.0539% | $ 416,051 | $ 18,697 | $ 434,748 | $ 685,944 | 63.38% | 93.66% |
| 2020 | 0.0549% | $ 723,641 | $ 17,050 | $ 740,691 | $ 619,078 | 119.64% | 87.19% |
| 2019 | 0.0571% | $ 607,890 | $ - | $ 607,890 | $ 601,744 | 101.02% | 89.30% |
| 2018 | 0.0556% | $ 587,634 | $ - | $ 587,634 | $ 585,592 | 100.35% | 88.80% |
| 2017 | 0.0560% | $ 756,067 | $ - | $ 756,067 | $ 570,375 | 132.56% | 85.40% |
| 2016 | 0.0547% | $ 2,207,246 | $ - | $ 2,207,246 | $ 526,951 | 418.87% | 63.90% |
| 2015 | 0.0550% | $ 624,929 | $ - | $ 624,929 | $ 506,666 | 123.34% | 86.60% |

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 |
|---|---|---|---|---|---|
| ***General Employees Retirement Pension Plan*** | | | | | |
| 2023 | $ 850,092 | $ 850,092 | $ - | $ 11,564,095 | 7.35% |
| 2022 | $ 791,816 | $ 791,816 | $ - | $ 10,609,154 | 7.46% |
| 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% |
| ***Public Employees Police and Fire Pension Plan*** | | | | | |
| 2023 | $ 138,954 | $ 138,954 | $ - | $ 785,051 | 17.70% |
| 2022 | $ 131,461 | $ 131,461 | $ - | $ 742,718 | 17.70% |
| 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% |
| ***Volunteer Fire Relief Association*** | | | | | |
| 2023 | $ - | $ - | $ - | N/A | N/A |
| 2022 | $ - | $ - | $ - | N/A | N/A |
| 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 RELEIF ASSOCIATION**
**LAST TEN YEARS** (Presented Prospectively)

| | Measurement Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| **Changes in Total Pension Liability (TPL)** | | | | | | | | |
| Balance at January 1st | $ 736,482 | $ 667,311 | $ 626,085 | $ 663,548 | $ 847,979 | $ 851,896 | $ 819,356 | $ 741,333 |
| Service Cost | 45,130 | 41,688 | 39,234 | 36,666 | 32,592 | 29,294 | 30,656 | 28,015 |
| Interest on the TPL | 39,763 | 39,287 | 41,582 | 37,162 | 48,213 | 57,717 | 53,502 | 50,008 |
| Assumption Changes | 16,692 | - | 17,815 | (5,407) | 14,428 | 2,231 | 2,182 | - |
| Differences Between Expected and Actual Experience | 7,124 | - | (57,405) | - | (2,014) | (62,246) | - | - |
| Changes in Benefit Terms | - | 39,696 | - | 55,799 | - | 21,337 | - | - |
| Benefit Payments | (180,150) | (51,500) | - | (161,683) | (277,650) | (52,250) | (53,800) | - |
| Balance at December 31st | $ 665,041 | $ 736,482 | $ 667,311 | $ 626,085 | $ 663,548 | $ 847,979 | $ 851,896 | $ 819,356 |
| **Plan Fiduciary Net Position (PFNP)** | | | | | | | | |
| Balance at January 1st | $ 1,480,883 | $ 1,301,214 | $ 1,176,897 | $ 1,079,224 | $ 1,390,150 | $ 1,211,976 | $ 1,133,396 | $ 1,113,829 |
| Fire State Aid | 56,390 | 53,869 | 49,930 | 50,148 | 52,244 | 49,576 | 49,132 | 49,942 |
| Municipal Contributions | - | - | - | - | - | - | - | 5,000 |
| Projected Investment Income (Loss) | (175,707) | 180,650 | 75,587 | 214,558 | (121,123) | 187,248 | 87,136 | (34,324) |
| Donations and Other Income | - | - | - | - | 39,953 | - | - | - |
| Total Additions | (119,317) | 234,519 | 125,517 | 264,706 | (28,926) | 236,824 | 136,268 | 20,618 |
| Benefit Payments | (180,150) | (51,500) | - | (161,683) | (277,650) | (52,250) | (53,800) | - |
| Administrative Expenses | (1,325) | (2,350) | (1,200) | (5,350) | (4,350) | (6,400) | (3,888) | (1,051) |
| Other Deductions | - | (1,000) | - | - | - | - | - | - |
| Total Reductions | (181,475) | (54,850) | (1,200) | (167,033) | (282,000) | (58,650) | (57,688) | (1,051) |
| Balance at December 31st | $ 1,180,091 | $ 1,480,883 | $ 1,301,214 | $ 1,176,897 | $ 1,079,224 | $ 1,390,150 | $ 1,211,976 | $ 1,133,396 |
| Net Pension Liability (Asset) - December 31st | $ (515,050) | $ (744,401) | $ (633,903) | $ (550,812) | $ (415,676) | $ (542,171) | $ (360,080) | $ (314,040) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) | 177% | 201% | 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| **Changes in Total OPEB Liability (TOL)** | | | | | | |
| Balance at January 1st | $ 599,537 | $ 673,284 | $ 662,392 | $ 481,774 | $ 384,192 | $ 360,022 |
| Service Cost | 59,333 | 70,660 | 64,974 | 43,988 | 46,569 | 25,246 |
| Interest Cost | 12,096 | 15,714 | 20,615 | 18,936 | 18,144 | 14,108 |
| Differences between Expected and Actual Experience | (32,592) | (22,287) | (47,998) | 106,848 | - | - |
| Changes in Actuarial Assumptions | (174,324) | (95,472) | 14,605 | 41,593 | (49,273) | 14,751 |
| Benefit Payments | (28,649) | (42,362) | (41,304) | (30,747) | (42,141) | (29,935) |
| Adjustment | - | - | - | - | 124,283 | - |
| Net OPEB Liability - December 31st | $ 435,401 | $ 599,537 | $ 673,284 | $ 662,392 | $ 481,774 | $ 384,192 |
| Covered Payroll for Active Members | $ 12,013,299 | $ 12,323,566 | $ 11,621,132 | $ 2,995,324 | $ 2,915,407 | $ 9,238,069 |
| Net OPEB Liability / Covered Payroll | 3.62% | 4.86% | 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 |
|---|---|---|---|---|---|
| 2023 | $ 31,412 | $ 31,412 | $ - | $ 3,184,733 | 1.0% |
| 2022 | $ 23,319 | $ 23,319 | $ - | $ 3,864,864 | 0.6% |
| 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, 2023

### NOTE 1 NOTES TO THE BUDGETARY COMPARISON SCHEDULE

General Fund

Actual expenditures in the General Fund of $4,383,832 exceeded the final budgeted expenditures by $241,878 for the current year. This was primarily due to capital outlay in excess of anticipated amounts within the public works department.

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

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

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

**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.

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

- 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.

<u>Changes in Plan Provisions</u>

- 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**

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- 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**

<u>Changes in Actuarial Assumptions</u>

- 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.

<u>Changes in Plan Provisions</u>

- 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.
- Annual 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.

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

**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 annual 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.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed annual 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 annual 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

### 2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

### 2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

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

### 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.

**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

- Annual 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 annual 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.

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

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed annual 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 annual 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 annual 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**

**2022 Changes**

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 5.75% to 5.00% to reflect updated capital market assumptions.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption increased from 2.25% to 2.50%.

Changes in Plan Provisions

- There were no changes made to plan provisions during 2022.

**2021 Changes**

Changes in Actuarial Assumptions

- There were no changes made to actuarial assumptions during 2021.

Changes in Plan Provisions

- A benefit increase from $2,800 to $3,000 was reflected in the active liability.

**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.

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

- 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%.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

**2019 Changes**

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

**2018 Changes**

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

**2017 Changes**

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

**2016 Changes**

<u>Changes in Actuarial Assumptions</u>

- No changes.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

**2015 Changes**

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

## NOTE 5 OTHER POSTEMPLOYMENET BENEFIT PLAN

### 2022 Changes

Changes in Actuarial Assumptions

- City Plan - The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates.
- Hospital Plan - The discount rate was changed from 1.97% to 3.42% based on updated 20-year municipal bond rates.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations to the rates used in the 7/1/2021 valuations.
- The percent of future retirees assumed to elect medical coverage at retirement changed from 50% to 40% to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

### 2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 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%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOTE 5 OTHER POSTEMPLOYMENET BENEFIT PLAN** (Continued)

**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%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

# SUPPLEMENTARY INFORMATION

**CITY OF WINDOM, MINNESOTA**
**COMBINING BALANCE SHEET**
**NONMAJOR GOVERMENTAL FUNDS**
**DECEMBER 31, 2023**

| | Special Revenue | | Capital Project | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| | Economic Development Fund | Ambulance Fund | Capital Projects Fund | 2025 Street Project Fund | |
| **ASSETS** | | | | | |
| Cash, Cash Equivalents, and Investments | $ 1,457,706 | $ 1,648,069 | $ 59,481 | $ - | $ 3,165,256 |
| Assessments Receivable | 4,451 | - | - | - | 4,451 |
| Accounts Receivable | 5,510 | 752,593 | - | - | 758,103 |
| Property Held for Resale | 94,975 | - | - | - | 94,975 |
| Loans Receivable (Net) | 240,255 | - | - | - | 240,255 |
| Leases Receivable | 6,600 | - | - | - | 6,600 |
| **TOTAL ASSETS** | $ 1,809,497 | $ 2,400,662 | $ 59,481 | $ - | $ 4,269,640 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 166,829 | $ 10,397 | $ - | $ - | $ 177,226 |
| Due to Other Funds | - | - | - | 10,960 | 10,960 |
| Advances from Other Funds | 489,027 | - | - | - | 489,027 |
| Total Liabilities | 655,856 | 10,397 | - | 10,960 | 677,213 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable Revenue: | | | | | |
| Special Assessments | 4,451 | - | - | - | 4,451 |
| Loans Receivable | 181,596 | - | - | - | 181,596 |
| Leases | 6,391 | - | - | - | 6,391 |
| Total Deferred Inflows of Resources | 192,438 | - | - | - | 192,438 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 153,843 | - | - | - | 153,843 |
| Restricted | 807,360 | - | 59,481 | - | 866,841 |
| Assigned | - | 2,390,265 | - | - | 2,390,265 |
| Unassigned | - | - | - | (10,960) | (10,960) |
| Total Fund Balances | 961,203 | 2,390,265 | 59,481 | (10,960) | 3,399,989 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 1,809,497 | $ 2,400,662 | $ 59,481 | $ - | $ 4,269,640 |

# CITY OF WINDOM, MINNESOTA
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERMENTAL FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2023

| | Special Revenue | | Capital Project | | |
|---|---|---|---|---|---|
| | Economic Development Fund | Ambulance Fund | Capital Projects Fund | 2025 Street Project Fund | Total Nonmajor Governmental Funds |
| **REVENUES** | | | | | |
| Taxes | $ 201,904 | $ - | $ 57,090 | $ - | $ 258,994 |
| Tax Increment | 784,196 | - | - | - | 784,196 |
| Special Assessments | 4,751 | - | - | - | 4,751 |
| Intergovernmental | 27,268 | 18,818 | - | - | 46,086 |
| Charges for Services | 21,684 | 975,768 | - | - | 997,452 |
| Investment Earnings (Losses) | 2,776 | 64,705 | - | - | 67,481 |
| Interest from Loans/Leases | 10,115 | - | - | - | 10,115 |
| Loan Collections | 46,898 | - | - | - | 46,898 |
| Miscellaneous | 4,988 | 1,400 | 10,000 | - | 16,388 |
| **TOTAL REVENUES** | 1,104,580 | 1,060,691 | 67,090 | - | 2,232,361 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| Public Safety | - | 574,318 | - | - | 574,318 |
| Economic Development | 616,044 | - | - | - | 616,044 |
| Capital Outlay | - | 196,474 | - | 10,960 | 207,434 |
| Debt Service: | | | | | |
| Principal | 170,000 | - | 95,000 | - | 265,000 |
| Interest and Other Charges | 21,751 | - | 27,090 | - | 48,841 |
| **TOTAL EXPENDITURES** | 807,795 | 770,792 | 122,090 | 10,960 | 1,711,637 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 296,785 | 289,899 | (55,000) | (10,960) | 520,724 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers In | - | - | 55,000 | - | 55,000 |
| **NET CHANGE IN FUND BALANCES** | 296,785 | 289,899 | - | (10,960) | 575,724 |
| **FUND BALANCES - BEGINNING** | 664,418 | 2,100,366 | 59,481 | - | 2,824,265 |
| **FUND BALANCES - ENDING** | $ 961,203 | $ 2,390,265 | $ 59,481 | $ (10,960) | $ 3,399,989 |

# CITY OF WINDOM, MINNESOTA
# COMBINING STATEMENT OF NET POSITION
# NONMAJOR PROPRIETARY FUNDS
# DECEMBER 31, 2023

| | Water Fund | Liquor Fund | Arena Fund | Multi-Purpose Center Fund | River Bluff Townhomes Fund | Total Nonmajor Proprietary Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets | | | | | | |
| Cash, Cash Equivalents, and Investments | $ 2,181,592 | $ 993,340 | $ 49,671 | $ 639,256 | $ 209,117 | $ 4,072,976 |
| Accounts Receivable | 128,358 | 3,761 | 1,920 | 4,216 | 503 | 138,758 |
| Inventory | 56,745 | 303,340 | - | - | - | 360,085 |
| Prepaids | 945 | - | 945 | - | - | 1,890 |
| Total Current Assets | 2,367,640 | 1,300,441 | 52,536 | 643,472 | 209,620 | 4,573,709 |
| Noncurrent Assets | | | | | | |
| Capital Assets Not Being Depreciated/Amortized | 158,124 | 478,825 | - | - | - | 636,949 |
| Capital Assets Being Depreciated/Amortized (Net) | 4,662,739 | 60,083 | 1,509,261 | 919,887 | 444,817 | 7,596,787 |
| Assessments Receivable | 65,050 | - | - | - | - | 65,050 |
| Total Noncurrent Assets | 4,885,913 | 538,908 | 1,509,261 | 919,887 | 444,817 | 8,298,786 |
| **TOTAL ASSETS** | 7,253,553 | 1,839,349 | 1,561,797 | 1,563,359 | 654,437 | 12,872,495 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| OPEB | 2,004 | 1,338 | 1,338 | 2,004 | - | 6,684 |
| Pensions | 53,015 | 48,616 | 26,147 | 27,887 | - | 155,665 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 55,019 | 49,954 | 27,485 | 29,891 | - | 162,349 |
| **LIABILITIES** | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | 24,335 | 112,634 | 6,259 | 5,622 | - | 148,850 |
| Construction Payables | - | 13,554 | - | - | - | 13,554 |
| Other Current Liabilities | - | 4,614 | - | - | - | 4,614 |
| Unearned Revenue | 1,810 | 4,118 | 1,810 | 6,903 | 7,330 | 21,971 |
| Accrued Interest | 17,925 | - | 11,466 | - | 611 | 30,002 |
| Debt Due Within One Year | 124,900 | - | 45,000 | - | 19,000 | 188,900 |
| Total Current Liabilities | 168,970 | 134,920 | 64,535 | 12,525 | 26,941 | 407,891 |
| Noncurrent Liabilities | | | | | | |
| Compensated Absences Due After One Year | 53,067 | 37,824 | 31,148 | 6,877 | - | 128,916 |
| Debt Due After One Year | 1,769,204 | 564,967 | 865,395 | - | 671,438 | 3,871,004 |
| Net OPEB Liability | 23,814 | 15,901 | 15,901 | 23,814 | - | 79,430 |
| Net Pension Liability | 185,983 | 169,430 | 91,661 | 95,460 | - | 542,534 |
| Total Noncurrent Liabilities | 2,032,068 | 788,122 | 1,004,105 | 126,151 | 671,438 | 4,621,884 |
| **TOTAL LIABILITIES** | 2,201,038 | 923,042 | 1,068,640 | 138,676 | 698,379 | 5,029,775 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Pensions | 72,081 | 65,665 | 35,524 | 36,997 | - | 210,267 |
| **NET POSITION** | | | | | | |
| Net Investment in Capital Assets | 2,926,759 | 144,217 | 598,866 | 919,887 | (245,621) | 4,344,108 |
| Unrestricted | 2,108,694 | 756,379 | (113,748) | 497,690 | 201,679 | 3,450,694 |
| **TOTAL NET POSITION** | $ 5,035,453 | $ 900,596 | $ 485,118 | $ 1,417,577 | $ (43,942) | $ 7,794,802 |

## CITY OF WINDOM, MINNESOTA
## COMBINING STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## NONMAJOR PROPRIETARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2023

| | Water Fund | Liquor Fund | Arena Fund | Multi-Purpose Center Fund | River Bluff Townhomes Fund | Total Nonmajor Proprietary Funds |
|---|---|---|---|---|---|---|
| **SALES AND COST OF SALES** | | | | | | |
| Sales | $ - | $ 2,369,420 | $ - | $ - | $ - | $ 2,369,420 |
| Cost of Sales | - | (1,728,325) | - | (6,269) | - | (1,734,594) |
| Facility Use/Other Revenue | - | - | 88,975 | 154,013 | 100,284 | 343,272 |
| **GROSS PROFIT** | - | 641,095 | 88,975 | 147,744 | 100,284 | 978,098 |
| **OPERATING REVENUES** | | | | | | |
| Charges for Services | 1,281,769 | - | - | - | - | 1,281,769 |
| **TOTAL GROSS PROFIT AND OPERATING REVENUES** | 1,281,769 | 641,095 | 88,975 | 147,744 | 100,284 | 2,259,867 |
| **OPERATING EXPENSES** | | | | | | |
| Wages and Benefits | 353,590 | 340,926 | 185,053 | 214,417 | - | 1,093,986 |
| Materials and Supplies | 78,048 | 12,114 | 29,360 | 27,119 | 18,454 | 165,095 |
| Repairs and Maintenance | 66,760 | 2,808 | 18,369 | 12,234 | 19,285 | 119,456 |
| Professional Services | 26,945 | 11,495 | 10,332 | 5,813 | - | 54,585 |
| Licenses, Permits, and Fees | 25,154 | 5,402 | 538 | - | 6,134 | 37,228 |
| Insurance | 26,812 | 22,615 | 22,540 | 15,858 | 7,514 | 95,339 |
| Utilities | 132,915 | 17,220 | 67,690 | 30,930 | 15,407 | 264,162 |
| Miscellaneous | 3,261 | 90,797 | 10,923 | 14,595 | 4,900 | 124,476 |
| Depreciation and Amortization | 345,827 | 23,042 | 85,911 | 62,180 | 28,082 | 545,042 |
| **TOTAL OPERATING EXPENSES** | 1,059,312 | 526,419 | 430,716 | 383,146 | 99,776 | 2,499,369 |
| **NET OPERATING INCOME** | 222,457 | 114,676 | (341,741) | (235,402) | 508 | (239,502) |
| **NONOPERATING INCOME (EXPENSE)** | | | | | | |
| Taxes | - | - | 272,421 | 245,820 | - | 518,241 |
| Special Assessments | 8,050 | - | - | - | - | 8,050 |
| Intergovernmental | 23 | 21 | 11 | 12 | - | 67 |
| Investment Income | 64,128 | 14,910 | 8,037 | 11,375 | 9 | 98,459 |
| Miscellaneous | - | - | 2,168 | 300 | - | 2,468 |
| Interest and Other Charges | (41,698) | (10,992) | (27,876) | - | (4,892) | (85,458) |
| **TOTAL NONOPERATING INCOME (EXPENSE)** | 30,503 | 3,939 | 254,761 | 257,507 | (4,883) | 541,827 |
| **CHANGE IN NET POSITION PRIOR TO TRANSFERS** | 252,960 | 118,615 | (86,980) | 22,105 | (4,375) | 302,325 |
| **TRANSFERS** | | | | | | |
| Operating Transfers In | - | - | 73,434 | - | - | 73,434 |
| Operating Transfers Out | (58,076) | (100,000) | - | - | - | (158,076) |
| **NET TRANSFERS** | (58,076) | (100,000) | 73,434 | - | - | (84,642) |
| **CHANGE IN NET POSITION** | 194,884 | 18,615 | (13,546) | 22,105 | (4,375) | 217,683 |
| **NET POSITION - BEGIN. OF YEAR** | 4,840,569 | 881,981 | 498,664 | 1,395,472 | (39,567) | 7,577,119 |
| **NET POSITION - END OF YEAR** | $ 5,035,453 | $ 900,596 | $ 485,118 | $ 1,417,577 | $ (43,942) | $ 7,794,802 |

**CITY OF WINDOM, MINNESOTA**
**COMBINING STATEMENT CASH FLOWS**
**NONMAJOR PROPRIETARY FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | Water Fund | Liquor Fund | Arena Fund | Multi-Purpose Center Fund | River Bluff Townhomes Fund | Total Nonmajor Proprietary Funds |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Cash Received from Customers | $ 1,266,127 | $ 2,368,375 | $ 88,744 | $ 156,558 | $ 99,705 | $ 3,979,509 |
| Cash Paid to Suppliers | (373,679) | (1,862,314) | (169,334) | (117,591) | (73,288) | (2,596,206) |
| Cash Paid to Employees | (348,761) | (315,377) | (182,067) | (209,823) | - | (1,056,028) |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | 543,687 | 190,684 | (262,657) | (170,856) | 26,417 | 327,275 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Taxes and Intergovernmental | 23 | 21 | 272,432 | 245,832 | - | 518,308 |
| Other Receipts from Customers | - | - | 2,168 | 300 | - | 2,468 |
| Net Operating Subsidies and Transfers from (to) Other Funds | (58,076) | (100,000) | 73,434 | - | - | (84,642) |
| **NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES** | (58,053) | (99,979) | 348,034 | 246,132 | - | 436,134 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Assessments and Loans Receivable | 22,549 | - | - | - | - | 22,549 |
| Purchases of Capital Assets | - | (465,271) | - | (30,250) | - | (495,521) |
| Payments on Debt Principal | (157,783) | - | (45,000) | - | (21,312) | (224,095) |
| Proceeds from Debt Issuance | - | 564,967 | - | - | - | 564,967 |
| Bond Issuance Costs | - | (10,992) | - | - | - | (10,992) |
| Cash Paid for Interest | (43,099) | - | (28,433) | - | (1,846) | (73,378) |
| **NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES** | (178,333) | 88,704 | (73,433) | (30,250) | (23,158) | (216,470) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Net Sales (Purchase) of Investments | (489,830) | (550,000) | 230,229 | (236,000) | - | (1,045,601) |
| Interest Income | 49,515 | 10,574 | 877 | 9,816 | 9 | 70,791 |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | (440,315) | (539,426) | 231,106 | (226,184) | 9 | (974,810) |
| Net Change in Cash and Cash Equivalents | (133,014) | (360,017) | 243,050 | (181,158) | 3,268 | (427,871) |
| Cash and Cash Equivalents - Beginning of Year | 776,559 | 552,692 | (287,251) | 525,654 | 205,849 | 1,773,503 |
| Cash and Cash Equivalents - End of Year | 643,545 | 192,675 | (44,201) | 344,496 | 209,117 | 1,345,632 |
| Investments | 1,538,047 | 800,665 | 93,872 | 294,760 | - | 2,727,344 |
| Total Cash, Cash Equivalents, and Investments | $ 2,181,592 | $ 993,340 | $ 49,671 | $ 639,256 | $ 209,117 | $ 4,072,976 |

# CITY OF WINDOM, MINNESOTA
# COMBINING STATEMENT CASH FLOWS (Continued)
# NONMAJOR PROPRIETARY FUNDS
# FOR THE YEAR ENDED DECEMBER 31, 2023

| | Water Fund | Liquor Fund | Arena Fund | Multi-Purpose Center Fund | River Bluff Townhomes Fund | Total Nonmajor Proprietary Funds |
|---|---|---|---|---|---|---|
| **RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | | |
| Net Operating Income (Loss) | $ 222,457 | $ 114,676 | $ (341,741) | $ (235,402) | $ 508 | $ (239,502) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation and Amortization | 345,827 | 23,042 | 85,911 | 62,180 | 28,082 | 545,042 |
| Changes in Assets, Liabilities, and Deferrals: | | | | | | |
| Accounts Receivable | (16,587) | (2,234) | (1,176) | (1,905) | (503) | (22,405) |
| Inventory | (4,637) | 22,632 | - | - | - | 17,995 |
| Prepaids | (945) | - | (945) | - | - | (1,890) |
| Accounts Payable | (8,202) | 6,006 | (8,637) | (4,773) | (1,594) | (17,200) |
| Other Current Liabilities | - | (176) | - | - | - | (176) |
| Unearned Revenue | 945 | 1,189 | 945 | 4,450 | (76) | 7,453 |
| Net OPEB Liability | (3,939) | (2,630) | (2,630) | (3,939) | - | (13,138) |
| Net Pension Liability | (75,352) | (49,955) | (40,726) | (34,279) | - | (200,312) |
| Deferred Outflows of Resources - OPEB | (516) | (345) | (345) | (516) | - | (1,722) |
| Deferred Outflows of Resources - Pensions | 29,065 | 21,038 | 15,345 | 13,017 | - | 78,465 |
| Deferred Inflows of Resources - Pensions | 53,533 | 50,095 | 26,128 | 27,789 | - | 157,545 |
| Compensated Absences | 2,038 | 7,346 | 5,214 | 2,522 | - | 17,120 |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | $ 543,687 | $ 190,684 | $ (262,657) | $ (170,856) | $ 26,417 | $ 327,275 |

**CITY OF WINDOM, MINNESOTA**
**SUPPLEMENTAL COMBINING BALANCE SHEET**
**DEBT SERVICE FUND**
**DECEMBER 31, 2023**

| | 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 | 2020 Street Improvement Bond Fund | Intrafund Activity | Total Debt Service Fund |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash, Cash Equivalents, and Investments | $ - | $ 18,480 | $ 420,803 | $ 598,915 | $ (1,217) | $ 874,607 | $ - | $ 1,911,588 |
| Assessments Receivable | - | 12,594 | 293,377 | 291,261 | 21,700 | 702,977 | - | 1,321,909 |
| Accounts Receivable | - | 431 | 1,221 | - | - | - | - | 1,652 |
| **TOTAL ASSETS** | $ - | $ 31,505 | $ 715,401 | $ 890,176 | $ 20,483 | $ 1,577,584 | $ - | $ 3,235,149 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | |
| Unavailable Revenue: | | | | | | | | |
| Special Assessments | $ - | $ 12,594 | $ 293,377 | $ 291,261 | $ 21,700 | $ 702,977 | $ - | $ 1,321,909 |
| **FUND BALANCE** | | | | | | | | |
| Restricted | - | 18,911 | 422,024 | 598,915 | - | 874,607 | (1,217) | 1,913,240 |
| Unassigned | - | - | - | - | (1,217) | - | 1,217 | - |
| Total Fund Balance | - | 18,911 | 422,024 | 598,915 | (1,217) | 874,607 | - | 1,913,240 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE** | $ - | $ 31,505 | $ 715,401 | $ 890,176 | $ 20,483 | $ 1,577,584 | $ - | $ 3,235,149 |

**CITY OF WINDOM, MINNESOTA**
**SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**DEBT SERVICE FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | 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 | 2020 Street Improvement Bond Fund | Intrafund Activity | Total Debt Service Fund |
|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | |
| Taxes | $ - | $ 82,737 | $ 93,233 | $ 81,463 | $ - | $ 161,455 | $ - | $ 418,888 |
| Special Assessments | 477 | 12,388 | 68,791 | 40,948 | - | 124,003 | - | 246,607 |
| Investment Earnings (Losses) | - | - | - | 4,842 | - | - | - | 4,842 |
| **TOTAL REVENUES** | 477 | 95,125 | 162,024 | 127,253 | - | 285,458 | - | 670,337 |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| General Government | - | - | - | - | 1,333 | - | - | 1,333 |
| Debt Service: | | | | | | | | |
| Principal | 85,000 | 120,000 | 145,000 | 135,000 | 50,000 | 155,000 | - | 690,000 |
| Interest and Other Charges | 934 | 7,206 | 25,995 | 75,926 | 475 | 91,278 | - | 201,814 |
| **TOTAL EXPENDITURES** | 85,934 | 127,206 | 170,995 | 210,926 | 51,808 | 246,278 | - | 893,147 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (85,457) | (32,081) | (8,971) | (83,673) | (51,808) | 39,180 | - | (222,810) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | |
| Transfers In | 283,631 | 36,598 | - | 79,310 | - | - | - | 399,539 |
| **NET CHANGE IN FUND BALANCE** | 198,174 | 4,517 | (8,971) | (4,363) | (51,808) | 39,180 | - | 176,729 |
| **FUND BALANCE - BEGINNING** | (198,174) | 14,394 | 430,995 | 603,278 | 50,591 | 835,427 | - | 1,736,511 |
| **FUND BALANCE - ENDING** | $ - | $ 18,911 | $ 422,024 | $ 598,915 | $ (1,217) | $ 874,607 | $ - | $ 1,913,240 |

# CITY OF WINDOM, MINNESOTA
# SCHEDULE OF INDEBTEDNESS
# FOR THE YEAR ENDED DECEMBER 31, 2023
# (UNAUDITED)

| | Issue Dates | Interest Rates | Maturity Dates | Initial Authorized Issue | Outstanding Balance 01/01/23 | Issued | Paid | Outstanding Balance 12/31/23 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| **GOVERNMENTAL INDEBTEDNESS** | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | |
| GO Refunding Bonds, Series 2012A | 2012 | 0.55-2.20% | 2023 | $ 980,000 | $ 85,000 | $ - | $ 85,000 | $ - | $ - |
| GO Equipment Bonds, Series 2013B | 2013 | 0.70-1.90% | 2023 | 615,000 | 75,000 | - | 75,000 | - | - |
| GO Improvement Bonds, Series 2017A | 2017 | 3.00-3.25% | 2039 | 2,870,000 | 2,495,000 | - | 135,000 | 2,360,000 | 135,000 |
| GO Improvement Bonds, Series 2017C (2009A Refund) | 2017 | 2.00% | 2025 | 830,000 | 370,000 | - | 120,000 | 250,000 | 125,000 |
| GO Improvement Bonds, Series 2018A | 2018 | 3.00-3.40% | 2026 | 1,015,000 | 610,000 | - | 145,000 | 465,000 | 150,000 |
| GO Improvement Bonds, Series 2020B | 2020 | 2.25-3.00% | 2041 | 3,135,000 | 3,000,000 | - | 140,000 | 2,860,000 | 145,000 |
| GO Improvement Bonds, Series 2020C | 2020 | 2.00-3.00 | 2041 | 345,000 | 330,000 | - | 15,000 | 315,000 | 15,000 |
| GO Refunding Bonds, Series 2020D (2013A Refund) | 2020 | 1.15-2.00% | 2034 | 1,600,000 | 1,460,000 | - | 145,000 | 1,315,000 | 140,000 |
| GO Refunding Bonds, Series 2020D (2016 Lease Refund) | 2020 | 1.15-2.00% | 2037 | 1,680,000 | 1,595,000 | - | 95,000 | 1,500,000 | 95,000 |
| *Subtotal* | | | | 13,070,000 | 10,020,000 | - | 955,000 | 9,065,000 | 805,000 |
| Leases | | | | | | | | | |
| Police 2021 Equinox | 2022 | 3.97% | 2026 | 13,348 | 10,527 | - | 2,935 | 7,592 | 3,054 |
| Police 2022 Ford Interceptor | 2022 | 6.71% | 2027 | 26,373 | 23,821 | - | 4,794 | 19,027 | 5,126 |
| Police 2017 Ford Interceptor | 2022 | 5.00% | 2023 | 7,271 | 2,981 | - | 2,981 | - | - |
| Police 2020 Ford F150 | 2022 | 5.00% | 2025 | 20,970 | 14,876 | - | 6,406 | 8,470 | 6,734 |
| Police 2021 Ford Interceptor | 2022 | 4.00% | 2025 | 28,483 | 20,940 | - | 7,850 | 13,090 | 8,170 |
| Police 2019 Ford Interceptor | 2022 | 7.25% | 2024 | 15,456 | 8,327 | - | 8,327 | - | - |
| Police 2019 Ford F150 | 2022 | 3.60% | 2024 | 29,322 | 17,497 | - | 12,258 | 5,239 | 5,239 |
| Police Equipment | 2022 | 5.00% | 2025 | 14,697 | 10,542 | - | 4,368 | 6,174 | 4,591 |
| *Subtotal* | | | | 155,920 | 109,511 | - | 49,919 | 59,592 | 32,914 |
| **TOTAL GOVERNMENTAL DEBTS** | | | | 13,225,920 | 10,129,511 | - | 1,004,919 | 9,124,592 | 837,914 |

**CITY OF WINDOM, MINNESOTA**
**SCHEDULE OF INDEBTEDNESS** (Continued)
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(UNAUDITED)**

| | Issue Dates | Interest Rates | Maturity Dates | Initial Authorized Issue | Outstanding Balance 01/01/22 | Issued | Paid | Outstanding Balance 12/31/22 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| **ENTERPRISE INDEBTEDNESS** | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | |
| GO Refunding Bonds, Series 2012A | 2012 | 0.55-2.20% | 2023 | 680,000 | 35,000 | - | 35,000 | - | - |
| GO Improvement Bonds, Series 2017A | 2017 | 3.00-3.25% | 2039 | 1,150,000 | 970,000 | - | 50,000 | 920,000 | 50,000 |
| GO Equipment - Telecom Upgrade | 2017 | 3.00% | 2027 | 855,000 | 500,000 | - | 100,000 | 400,000 | 100,000 |
| GO Equipment Certificates, Series 2018A | 2018 | 3.00-3.40% | 2038 | 1,095,000 | 920,000 | - | 45,000 | 875,000 | 45,000 |
| GO Improvement Bonds, Series 2020B | 2020 | 2.25-3.00% | 2041 | 1,105,000 | 1,060,000 | - | 45,000 | 1,015,000 | 45,000 |
| GO Refunding Bonds, Series 2020D (2011A Refund) | 2020 | 1.15-2.00% | 2029 | 1,805,000 | 1,590,000 | - | 225,000 | 1,365,000 | 230,000 |
| GO Refunding Bonds, Series 2020D (2013A Refund) | 2020 | 1.15-2.00% | 2034 | 1,230,000 | 1,145,000 | - | 85,000 | 1,060,000 | 85,000 |
| GO Equipment and Tax Abatement Bonds, Series 2023B | 2023 | 4.25-5.00% | 2043 | 6,905,000 | - | 6,905,000 | - | 6,905,000 | - |
| *Subtotal* | | | | 14,825,000 | 6,220,000 | 6,905,000 | 585,000 | 12,540,000 | 555,000 |
| General Obligation Revenue Bonds | | | | | | | | | |
| GO Revenue Hospital Bonds, Series 2014A | 2014 | 1.00% | 2034 | 5,600,000 | 4,035,000 | - | 245,000 | 3,790,000 | 245,000 |
| Communication System Refunding Bonds, Series 2020A | 2020 | 1.95% | 2032 | 7,820,000 | 6,653,000 | - | 611,000 | 6,042,000 | 629,000 |
| *Subtotal* | | | | 13,420,000 | 10,688,000 | - | 856,000 | 9,832,000 | 874,000 |
| Leases | | | | | | | | | |
| Telecom Ford F250XL | 2022 | 7.40% | 2027 | 27,299 | 25,725 | - | 4,792 | 20,933 | 5,159 |
| Medical Equipment - Windom Area Health | 2023 | 3.00% | 2026 | 573,386 | - | 573,386 | 120,824 | 452,562 | 124,498 |
| *Subtotal* | | | | 600,685 | 25,725 | 573,386 | 125,616 | 473,495 | 129,657 |
| Notes Payable | | | | | | | | | |
| River Bluff Townhomes - Bank of the West | 2001 | 2.01% | 2031 | 488,847 | 203,312 | - | 21,312 | 182,000 | 19,000 |
| River Bluff Townhomes - MHFA | 2001 | 0.00% | 2031 | 353,305 | 353,305 | - | - | 353,305 | - |
| River Bluff Townhomes - GMHF | 2001 | 0.00% | 2031 | 180,000 | 152,076 | 3,057 | - | 155,133 | - |
| Water Purchase - Red Rock Rural Water System | 2023 | 0.00% | 2023 | 230,000 | 15,334 | - | 15,334 | - | - |
| CWRF Wastewater Treatment Plant | 2019 | 1.00% | 2038 | 9,624,333 | 6,477,924 | - | 2,569,081 | 3,908,843 | 218,463 |
| *Subtotal* | | | | 10,876,485 | 7,201,951 | 3,057 | 2,605,727 | 4,599,281 | 237,463 |
| **TOTAL ENTERPRISE DEBTS** | | | | 39,722,170 | 24,135,676 | 7,481,443 | 4,172,343 | 27,444,776 | 1,796,120 |
| **TOTAL INDEBTEDNESS** | | | | $ 52,948,090 | $ 34,265,187 | $ 7,481,443 | $ 5,177,262 | $ 36,569,368 | $ 2,634,034 |

# OTHER REQUIRED REPORTS

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

Honorable Mayor and 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 (the City), as of and for the year ended December 31, 2023, 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 September 18, 2024.

***Report on 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Responses* as item 2023-001 to be a material weakness.

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 deficiency described in the accompanying *Schedule of Findings and Responses* as item 2023-002 to be a significant deficiency.

***Report on 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, 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, claims and disbursements, 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**

*Government Auditing Standards* require the auditor to perform limited procedures on the City of Windom's response to the findings identified in our engagement and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City of Windom's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

**SCHLENNER WENNER & CO.**
St. Cloud, Minnesota
September 18, 2024

**CITY OF WINDOM, MINNESOTA**
**SCHEDULE OF FINDINGS AND RESPONSES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

## FINANCIAL STATEMENT FINDINGS

### Finding 2023-001 Material Audit Adjustments

*Condition:* Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:* The City is required to report accurate financial information in accordance with accounting principles generally accepted in the United States of America.

*Cause:* The City failed to record certain year-end adjustments for the purpose of properly presenting financial activity and accrual balances required under generally accepted accounting principles.

*Effect:* The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

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

### Finding 2023-002 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.

## CITY OF WINDOM, MINNESOTA
## CORRECTIVE ACTION PLANS
## FOR THE YEAR ENDED DECEMBER 31, 2023

**FINANCIAL STATEMENT FINDINGS**

**Finding 2023-001 Material Audit Adjustments**

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 thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors.

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 2023-002 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.