CITY OF WINDOM, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2024

CITY OF WINDOM, MINNESOTA
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YEAR ENDED DECEMBER 31, 2024

INTRODUCTORY SECTION

CITY OF WINDOM, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2024

Elected Officials		Term Expires
Mayor	Dominic Jones	December 31, 2024
Council Member	Scott Benson	December 31, 2024
Council Member	James Nelson	December 31, 2026
Council Member	Jenny Quade	December 31, 2026
Council Member	Marvin Grunig	December 31, 2024

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Windom, Minnesota
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 discretely 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, 2024, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the City's total OPEB Liability and related ratios, the schedule of the City's proportionate share of the net pension liability, the schedule of the City's contributions, and the Windom fire relief association – schedule of changes in the net pension asset and related ratios, 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 GAAS, 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's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2025, on our consideration of the City of Windom, Minnesota'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, Minnesota'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, Minnesota's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
July 22, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Windom, Minnesota (the City), we offer readers of the City of Windom, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Windom, Minnesota for the fiscal year ended December 31, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Windom, Minnesota exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $106,959,023 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is $12,757,507.
- The City's total net position increased by $9,885,976 from 2023.
- As of the close of the current fiscal year, the City of Windom, Minnesota's governmental funds reported a combined ending fund balance of $18,863,747 which is an increase of $6,703,072 in comparison with the prior year. The overall *unassigned fund balance* is $2,662,146.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,678,823 or 53% of total 2024 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.

This discussion and analysis is intended to serve as an introduction to the City of Windom, Minnesota's basic financial statements. The City of Windom's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Windom's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City of Windom, Minnesota's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Windom, Minnesota is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensated absences).

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the City of Windom, Minnesota that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their cost through user fees and charges *(business-type activities)*. The governmental activities of the City of Windom, Minnesota include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City of Windom, Minnesota include an electric, water, and wastewater utility, municipal liquor store, telecom operation, arena facility, multi-purpose center, hospital operation, and River Bluff townhomes.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Windom, Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Windom, Minnesota can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental functions* and *governmental activities.*

The City of Windom, Minnesota maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary Funds

The City of Windom maintains nine proprietary funds. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Windom, Minnesota uses proprietary funds to account for its water, wastewater, and electric utilities, liquor store operation, telecom operation, arena operation, multi-purpose center operation, hospital operation, and River Bluff Townhomes.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and electric utilities, telecom operation, and hospital operation, all of which are considered to be major funds of the City of Windom, Minnesota.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the general fund's budgetary information and the City of Windom, Minnesota's OPEB liability plus progress in funding its Net Pension Liability.

The combining statements referred to earlier in conjunction with nonmajor governmental and proprietary funds are presented immediately following the financial statement footnotes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Windom, Minnesota, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $106,959,023 at the close of the most recent fiscal year compared to $97,073,047 at the end of 2023.

Approximately 58% of the City of Windom, Minnesota's net position reflects its $62,207,605 net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt outstanding used to acquire those assets. The City of Windom, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Windom, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of 2024, $5,515,476 of net position was restricted as to use leaving the remaining balance of $38,388,656 as unrestricted net position that may be used to meet the City's ongoing obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

CITY OF WINDOM'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and Other Assets	$ 21,422,020	$ 14,674,768	$ 40,150,005	$ 61,593,095	$ 61,572,025	$ 76,267,863
Capital Assets	21,345,528	21,939,657	76,341,363	50,968,666	97,686,891	72,908,323
Total Assets	42,767,548	36,614,425	116,491,368	112,561,761	159,258,916	149,176,186
DEFERRED OUTFLOWS OF RESOURCES	1,391,093	1,836,205	2,250,465	3,580,600	3,641,558	5,416,805
LIABILITIES						
Long-Term Liabilities	10,223,898	11,415,642	35,254,728	38,986,462	45,478,626	50,402,104
Other Liabilities	532,746	466,760	5,132,384	3,872,515	5,665,130	4,339,275
Total Liabilities	10,756,644	11,882,402	40,387,112	42,858,977	51,143,756	54,741,379
DEFERRED INFLOWS OF RESOURCES	1,762,862	1,740,589	3,034,833	1,037,976	4,797,695	2,778,565
Net Position:						
Net Investment in Capital Assets	13,777,483	12,493,186	49,450,098	40,547,525	63,227,581	53,040,711
Restricted	5,104,145	4,195,606	411,331	411,562	5,515,476	4,607,168
Unrestricted	12,757,507	8,138,847	25,458,459	31,286,321	38,215,966	39,425,168
Total Net Position	$ 31,639,135	$ 24,827,639	$ 75,319,888	$ 72,245,408	$ 106,959,023	$ 97,073,047

Governmental Activities

Governmental activities increased the City of Windom, Minnesota's net position by $6,811,496. Contributing to the increase in net position includes building of reserve funds for future capital needs and grants received.

Business-Type Activities

Business-type activities increased the City of Windom, Minnesota's net position by $3,074,480. All major funds (electric, sewer, telecom, and Windom Hospital) recorded positive contributions to net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Windom's Changes in Net Position

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program Revenues:						
Fees, Charges, Fines, and Other	$ 931,589	$ 1,752,051	$ 42,041,957	$ 40,920,678	$ 42,973,546	$ 42,672,729
Operating Grants and Contributions	803,996	486,329	-	54,515	803,996	540,844
Capital Grants and Contributions	6,894,633	4,588,134	30,533	58,257	6,925,166	4,646,391
General Revenues:						
Property Taxes	1,961,072	1,891,526	517,790	518,241	2,478,862	2,409,767
Tax Increments	472,642	835,095	-	-	472,642	835,095
Other Taxes	52,717	-	-	-	52,717	-
Grants and Contributions, Not Restricted	1,901,739	1,606,254	279,116	174	2,180,855	1,606,428
Unrestricted Interest Income	322,289	311,699	1,528,099	1,084,798	1,850,388	1,396,497
Miscellaneous	-	26,807	(172,695)	(1,999,133)	(172,695)	(1,972,326)
Gain (Loss) on Disposal of Capital Assets	26,000	10,042	(6,588)	21,084	19,412	31,126
Total Revenues	13,366,677	11,507,937	44,218,212	40,658,614	57,584,889	52,166,551
EXPENSES						
General Government	1,253,559	832,388	-	-	1,253,559	832,388
Public Safety	2,557,051	2,917,512	-	-	2,557,051	2,917,512
Public Works	1,414,326	1,112,213	-	-	1,414,326	1,112,213
Culture and Recreation	818,705	623,882	-	-	818,705	623,882
Economic Development	704,615	701,299	-	-	704,615	701,299
Interest on Long-Term Debt	154,489	220,196	-	-	154,489	220,196
Electric	-	-	5,784,253	6,030,595	5,784,253	6,030,595
Water	-	-	1,142,354	1,101,010	1,142,354	1,101,010
Wastewater	-	-	1,719,587	1,938,397	1,719,587	1,938,397
Liquor Store	-	-	570,847	2,265,736	570,847	2,265,736
Telecom	-	-	2,413,949	2,364,615	2,413,949	2,364,615
Arena	-	-	420,807	458,592	420,807	458,592
Multi-Purpose	-	-	411,965	389,415	411,965	389,415
River Bluff Townhomes	-	-	86,299	104,668	86,299	104,668
Windom Area Hospital	-	-	28,246,107	24,965,752	28,246,107	24,965,752
Total Expenses	6,902,745	6,407,490	40,796,168	39,618,780	47,698,913	46,026,270
Increase in Net Position Before Transfers	6,463,932	5,100,447	3,422,044	1,039,834	9,885,976	6,140,281
Transfers	347,564	(1,653,026)	(347,564)	1,653,026	-	-
CHANGE IN NET POSITION	6,811,496	3,447,421	3,074,480	2,692,860	9,885,976	6,140,281
Net Position - Beginning of Year	24,827,639	21,380,218	72,245,408	69,552,548	97,073,047	90,932,766
NET POSITION - END OF YEAR	$ 31,639,135	$ 24,827,639	$ 75,319,888	$ 72,245,408	$ 106,959,023	$ 97,073,047

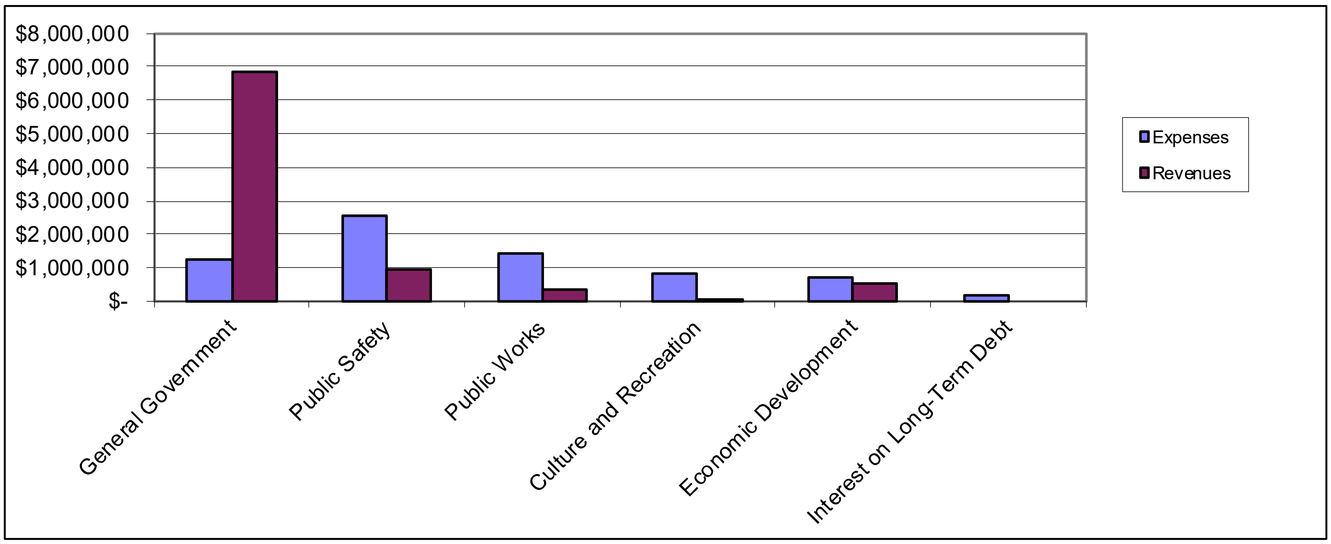
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Capital grants and contributions revenues for governmental activities increased from $4,588,134 in 2023 to $6,894,633 in 2024.

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

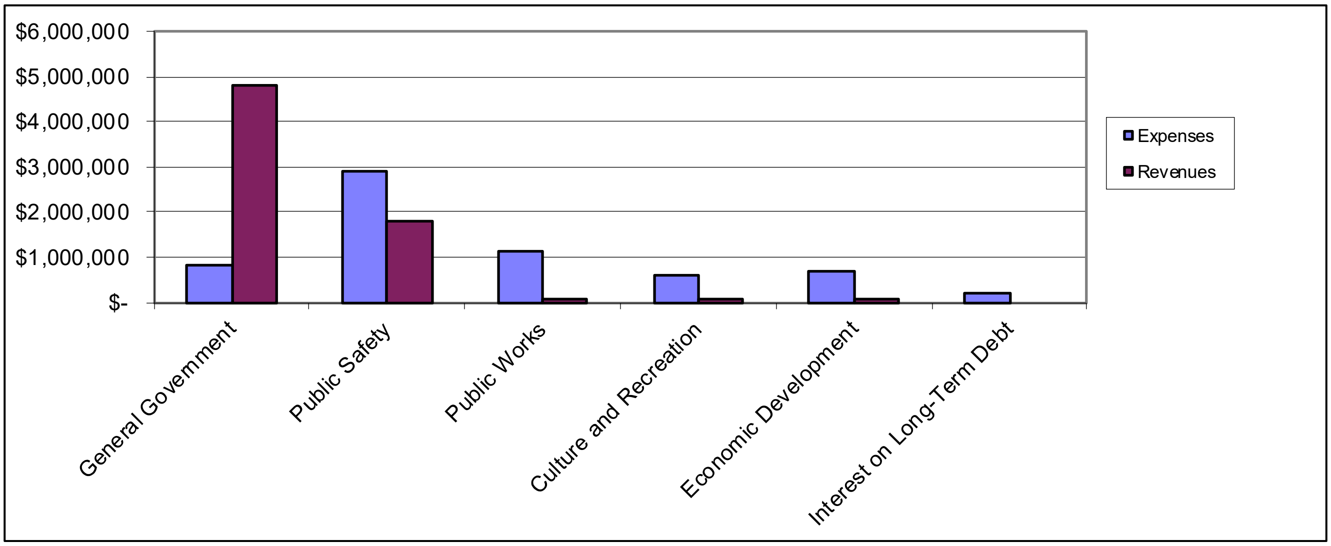
2024
Expenses and Program Revenues – Governmental Activities



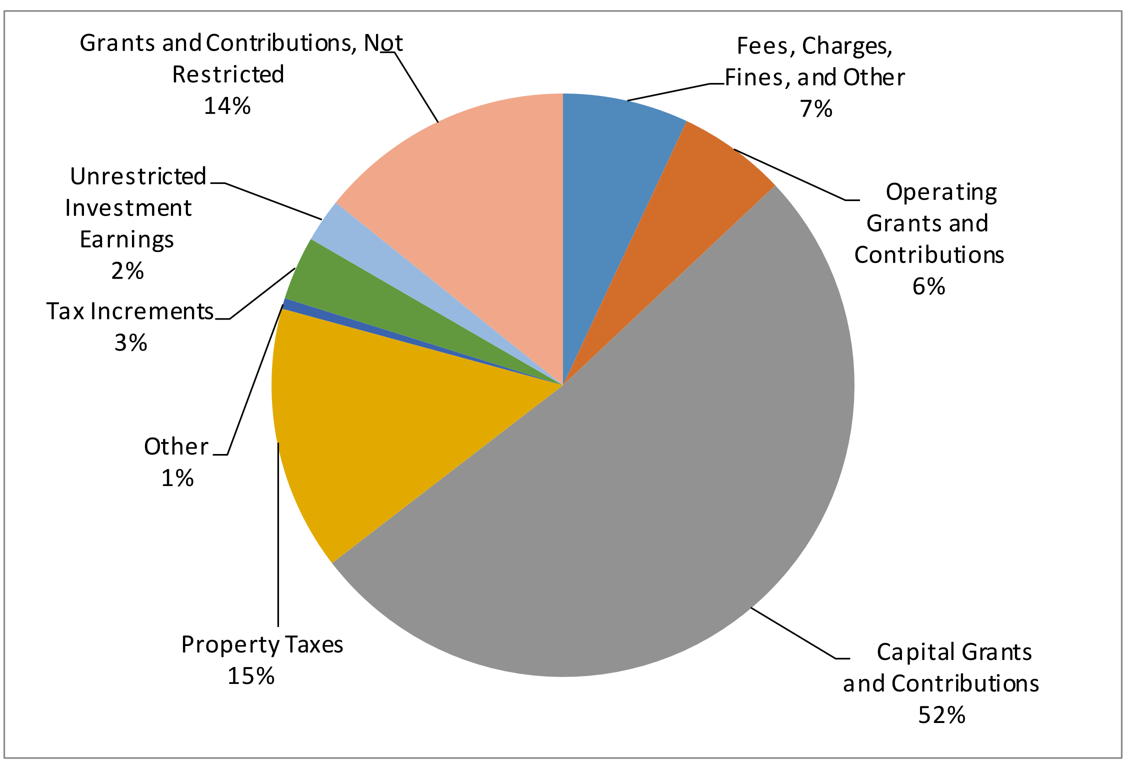
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

2023
Expenses and Program Revenues – Governmental Activities



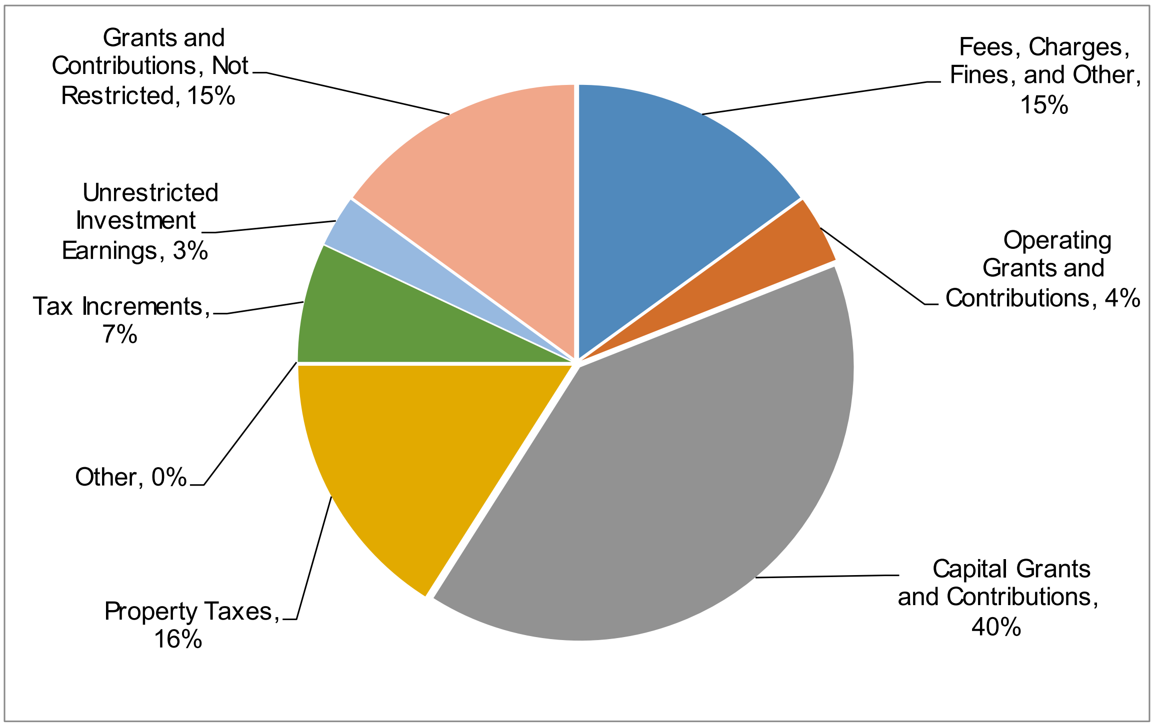
2024
Revenues by Source – Governmental Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

2023
Revenues by Source – Governmental Activities

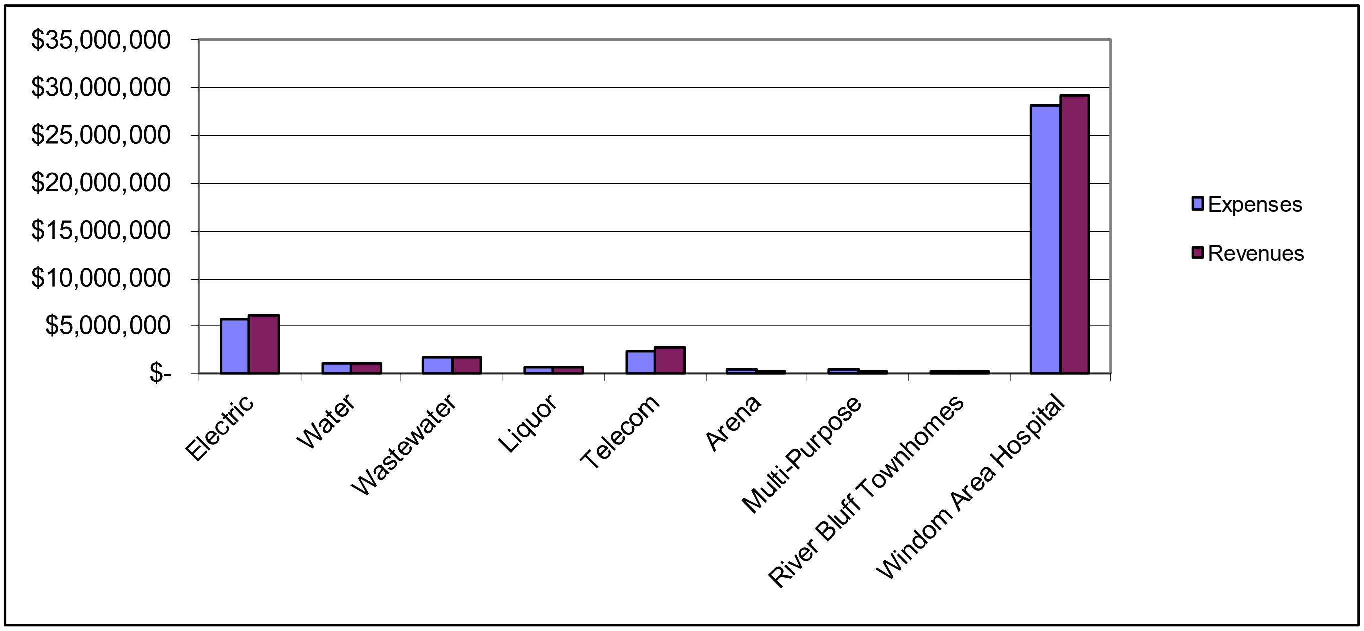


Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenses. Excess revenues are retained within each fund until such time that capital replacement is needed.

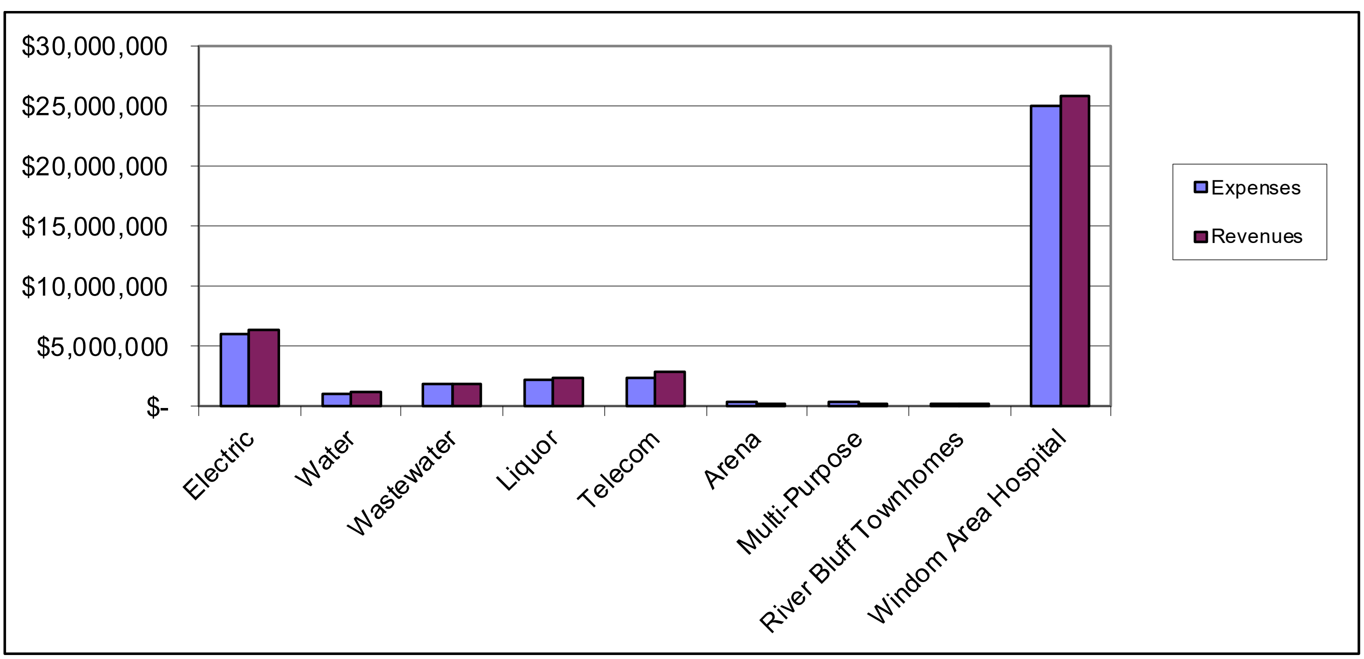
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

2024
Expenses and Program Revenues – Business-Type Activities



2023
Expenses and Program Revenues – Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Windom, Minnesota uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City of Windom, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Windom, Minnesota's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Windom, Minnesota's governmental funds reported combined ending fund balances of $18,863,747, an increase of $6,703,072 in comparison with 2023. The City reported an unassigned fund balance in the amount of $2,662,146. Fund balance of $9,470,470 is nonspendable and $3,258,374 is restricted to indicate that it is not available for new spending. At December 31, 2024 fund balances were as follows:

	Balance	Increase (Decrease) From 2023
General Fund	$ 13,261,803	$ 6,414,357
Other Governmental Funds	5,601,944	288,715
Total	$ 18,863,747	$ 6,703,072

The general fund is the chief operating fund of the City of Windom, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,678,823.

During the current fiscal year, the City of Windom, Minnesota's general fund balance increased by $6,414,357. The increase was primarily due to revenue being slightly higher than anticipated and spending slightly less than anticipated.

The increase in fund balance in the other governmental funds of $288,715 was due to economic development grants.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds

The City of Windom, Minnesota's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the electric fund at the end of 2024 was $18,592,564, of which $4,141,653 is unrestricted. Net position increased $536,796 during the current year primarily due favorable power cost purchases and return of dues/fees from Central Minnesota Municipal Power Agency.

The wastewater fund has total net position of $19,713,422, of which $3,979,331 is unrestricted. The net position of the wastewater fund increased by $115,956 during 2024. This increase is mostly related interest income from favorable market conditions.

The telecom fund reported a deficit net position of ($5,144,048). A decrease of the deficit from 2023 by $398,470 was achieved through cost control measures and increased revenue from data services.

The hospital fund has total net position of $34,280,364. The net position for the hospital fund increased $1,940,474 during 2024.

Of the nonmajor proprietary funds, the water fund has total net position of $5,075,126, of which $2,279,948 is unrestricted. The increase in net position of $39,673 was related to a 2024 rate increase and lower expenses. The liquor fund has total net position of $888,095. It has unrestricted net position of $303,848. The net position of the liquor fund increased by $87,499 during 2024 prior to transfers out.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was an approved amendment to the original budget that increased revenues by $5,547,050. This increase was due to capital grant funding.

Final budget compared to actual results. The actual total revenue was $2,171,936 over final total budgeted revenues of $8,979,401.

Expenditures came in over budget due to funding for capital expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Windom, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to $97,414,201 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment, office equipment and furniture, and construction in progress. The total increase in the City of Windom, Minnesota's investment in capital assets (net of accumulated depreciation) was $13,881,449 when compared to 2023. Detailed information about the City's capital assets is presented in the notes to the financial statements.

**CITY OF WINDOM'S CAPITAL ASSETS
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	As Restated 2023	2024	2023
Land	$ 232,961	$ 232,961	$ 519,018	$ 519,424	$ 751,979	$ 752,385
Buildings and Building Improvements	8,993,434	9,396,118	25,520,295	24,178,390	34,513,729	33,574,508
Infrastructure	9,332,920	9,805,883	17,374,551	15,356,857	26,707,471	25,162,740
Machinery and Equipment	2,462,518	2,083,487	10,052,745	6,619,068	12,515,263	8,702,555
Office Equipment and Furniture	11,991	8,605	7,002,143	7,126,302	7,014,134	7,134,907
Leased Vehicles and Equipment	123,321	69,835	1,806,749	463,075	1,930,070	532,910
Construction in Progress	188,383	342,768	14,065,862	7,329,979	14,254,245	7,672,747
Total	$ 21,345,528	$ 21,939,657	$ 76,341,363	$ 61,593,095	$ 97,686,891	$ 83,532,752

Long-Term Debt

At the end of the current fiscal year, the City of Windom, Minnesota had total long-term debt outstanding of $35,492,045. The City of Windom's total long-term debt decreased by $4,923,478 during the current fiscal period due to paying down current debt. Detailed information about the City's debt and other long-term liabilities is presented in the notes to the financial statements.

The City of Windom, Minnesota maintained an A+ rating with stable outlook from Standard & Poor's for general obligation debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
G.O. Bonds	$ 8,260,000	$ 9,065,000	$ 11,985,000	$ 12,540,000	$ 20,245,000	$ 21,605,000
Revenue Bonds	-	-	9,008,000	9,832,000	9,008,000	9,832,000
Lease Obligation	113,377	59,592	1,763,242	473,495	1,876,619	533,087
Notes Payable	-	-	4,362,426	4,599,281	4,362,426	4,599,281
Total	$ 8,373,377	$ 9,124,592	$ 27,118,668	$ 27,444,776	$ 35,492,045	$ 36,569,368

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- In 2024 the City's allocation of State aid (Local Government Aid – LGA) went up due to the State surplus. This resulted in an additional $227,701 coming to the City of Windom and increased the City Council's flexibility to take on some additional capital projects including a down payment on a Fire Tanker truck.
- An electric rate study was also completed which showed a need to increase the fee by $1\meter\month for residential customers in 2024, 2025 and in 2026. Due to the increasing cost of energy and capacity the study also recommended a five percent rate adjustment in each of 2024, 2025 and 2026. These rate recommendations were approved by the Utility Commission.
- The Electric Department started the construction of a new generation building which will house two new 3.1 mw CAT diesel, tier 4 engines which will off-set capacity costs and provide emergency generation in the event of power loss or grid instability.
- The City maintained its A+ rating from Standard and Poor's on the issuance of debt for the Hospital Medical Office Building, Electric Generation Project and Liquor Store Remodeling bonds that were issued at the end of 2023 with debt service payments beginning in 2024.
- Inflationary rate increases for the cost of labor and materials was needed for the operation of the water and sewer utilities were approved by the Utility Commission in 2024 consisting of four percent for water and eight percent for wastewater. The wastewater rate increase was more significant due to the loss of the Hylife Plant.
- Debt service remained consistent in 2024. New debt issued in 2024 for the Electric Department and Liquor Store will be repaid through their operating budgets and have no impact on the General Fund. The City Council is looking to do some Street work in 2025 and 2026 as current General Obligation bonds are set to be retired.
- State Grant funds that were provided through the Special Appropriation of $13 million are earmarked for the workforce housing project ($10 million), Wastewater loan repayment ($2 million) and $1 million for job creation at the former Hylife plant. The funds for the housing project will be disbursed in 2024 via the City as a "pass through" from the State to the private developer so those State funds will show up on the City's income and expense budgets.
- The City's tax rate remains in the middle of our peer group. Windom's tax rate (2024) of 57.47 compares to an average of 62.61 for the 13 cities in our cohort group.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Windom, Minnesota's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Windom, 444 9th Street, P.O. Box 38, Windom, Minnesota, 56101.

BASIC FINANCIAL STATEMENTS

CITY OF WINDOM, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities	Business-Type Activities	Total	April 30, 2024 Windom Area Health Foundation
ASSETS				
Cash and Investments	$ 8,544,521	$ 29,969,619	$ 38,514,140	$ 483,358
Restricted Cash and Investments	-	400,978	400,978	-
Taxes Receivable	36,121	221,690	257,811	-
Special Assessments Receivable	1,145,583	46,434	1,192,017	-
Accounts Receivable	488,685	7,815,727	8,304,412	-
Accrued Interest Receivable	-	150,277	150,277	-
Internal Balances	836,129	(836,129)	-	-
Inventory	51,513	611,287	662,800	-
Prepaid Items	-	1,407,440	1,407,440	-
Loans Receivable, Net of Allowance	9,530,126	-	9,530,126	-
Leases Receivable	-	254,511	254,511	-
Land Held for Resale	94,975	-	94,975	-
Investment in Joint Venture	-	108,171	108,171	-
Net Pension Asset	694,367	-	694,367	-
Capital Assets:				
Land and Construction in Progress	421,344	14,584,880	15,006,224	-
Other Capital Assets, Net of Depreciation/Amortization	20,924,184	61,756,483	82,680,667	-
Total Assets	42,767,548	116,491,368	159,258,916	483,358
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	1,374,037	2,219,120	3,593,157	-
Other Postemployment Benefits Related	17,056	31,345	48,401	-
Total Deferred Outflows of Resources	1,391,093	2,250,465	3,641,558	-
LIABILITIES				
Accounts and Contracts Payable	222,526	2,894,727	3,117,253	-
Other Accrued Liabilities	91,277	1,426,747	1,518,024	-
Accrued Interest Payable	84,245	116,207	200,452	-
Unearned Revenue	134,698	302,649	437,347	-
Estimated Third-Party Payor Settlements	-	392,054	392,054	-
Long-Term Liabilities:				
Due within One Year	871,452	2,338,754	3,210,206	-
Due in More than One Year	7,963,031	25,503,372	33,466,403	-
Net Pension Liability, Due in More than One Year	1,190,142	7,066,912	8,257,054	-
Other Postemployment Benefits Liability:				
Due within One Year	40,645	23,589	64,234	-
Due in More than One Year	158,628	322,101	480,729	-
Total Liabilities	10,756,644	40,387,112	51,143,756	-
DEFERRED INFLOWS OF RESOURCES				
Leases Related	3,292	242,990	246,282	-
Pension Related	1,759,570	2,673,645	4,433,215	-
Other Postemployment Benefits Related	-	118,198	118,198	-
Total Deferred Inflows of Resources	1,762,862	3,034,833	4,797,695	-
NET POSITION				
Net Investment in Capital Assets	13,777,483	49,450,098	63,227,581	-
Restricted for:				
Specific Donor Restriction	1,210	10,353	11,563	129,450
Fire Relief Pension	694,367	-	694,367	-
Capital Projects	62,481	-	62,481	-
Debt Service	2,979,462	400,978	3,380,440	-
Economic Development	1,366,625	-	1,366,625	-
Unrestricted	12,757,507	25,458,459	38,215,966	353,908
Total Net Position	$ 31,639,135	$ 75,319,888	$ 106,959,023	$ 483,358

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			April 30, 2024
Functions/Programs	Expenses	Fees, Charges, Fines, and Other	Operating Grants Contributions	Capital Grants and	Governmental Activities	Business-Type Activities	Total	Windom Area Foundation
Governmental Activities:								
General Government	$ 1,253,559	$ 125,615	$ 10,025	$ 6,690,804	$ 5,572,885	$ -	$ 5,572,885	$ -
Public Safety	2,557,051	579,475	330,021	10,000	(1,637,555)	-	(1,637,555)	-
Public Works	1,414,326	125,457	17,465	189,211	(1,082,193)	-	(1,082,193)	-
Culture and Recreation	818,705	32,209	21,580	-	(764,916)	-	(764,916)	-
Economic Development	704,615	68,833	424,905	4,618	(206,259)	-	(206,259)	-
Interest on Long-Term Debt	154,489	-	-	-	(154,489)	-	(154,489)	-
Total Governmental Activities	6,902,745	931,589	803,996	6,894,633	1,727,473	-	1,727,473	-
Business-Type Activities:								
Electric	5,784,253	6,198,416	-	-	-	414,163	414,163	-
Water	1,142,354	1,168,651	-	-	-	26,297	26,297	-
Wastewater	1,719,587	1,732,147	-	-	-	12,560	12,560	-
Liquor	570,847	632,124	-	-	-	61,277	61,277	-
Telecom	2,413,949	2,766,280	-	-	-	352,331	352,331	-
Arena	420,807	109,406	-	-	-	(311,401)	(311,401)	-
Multi-Purpose Center	411,965	130,160	-	500	-	(281,305)	(281,305)	-
River Bluff Townhomes	86,299	106,068	-	-	-	19,769	19,769	-
Windom Area Health	28,246,107	29,198,705	-	30,033	-	982,631	982,631	-
Total Business-Type Activities	40,796,168	42,041,957	-	30,533	-	1,276,322	1,276,322	-
Total Primary Government	$ 47,698,913	$ 42,973,546	$ 803,996	$ 6,925,166	1,727,473	1,276,322	3,003,795	-
Component Unit:								
Windom Area Health Foundation	$ 47,845	$ 50,094	$ 16,471	$ -	-	-	-	18,720
GENERAL REVENUES AND TRANSFERS								
Taxes:								
Property Taxes, Levied for General Purpose					1,961,072	517,790	2,478,862	-
Tax Increments					472,642	-	472,642	-
Other Taxes					52,717	-	52,717	-
Grants and Contributions not Restricted to Specific Programs					1,901,739	279,116	2,180,855	-
Unrestricted Interest Income					322,289	1,528,099	1,850,388	-
Gain (Loss) on Sale of Capital Assets					26,000	(6,588)	19,412	-
Equity Distribution					-	(172,695)	(172,695)	-
Transfers					347,564	(347,564)	-	-
Total General Revenues and Transfers					5,084,023	1,798,158	6,882,181	-
CHANGE IN NET POSITION					6,811,496	3,074,480	9,885,976	18,720
Net Position - Beginning of Year					24,827,639	72,245,408	97,073,047	464,638
NET POSITION - END OF YEAR					$ 31,639,135	$ 75,319,888	$ 106,959,023	$ 483,358

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 2,748,830	$ 5,774,452	$ 8,523,282
Property Taxes Receivable	36,121	-	36,121
Special Assessments Receivable	-	1,145,583	1,145,583
Accounts Receivable	268,524	220,161	488,685
Due from Other Funds	873,523	-	873,523
Advances to Other Funds	489,027	-	489,027
Inventory	51,513	-	51,513
Loans Receivable, Net of Allowance	9,323,982	206,144	9,530,126
Land Held for Resale	-	94,975	94,975
Total Assets	$ 13,791,520	$ 7,441,315	$ 21,232,835
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts and Contracts Payable	$ 198,034	$ 24,492	$ 222,526
Other Accrued Liabilities	56,952	13,086	70,038
Due to Other Funds	-	37,394	37,394
Advances From Other Funds	-	489,027	489,027
Unearned Revenue	-	134,698	134,698
Total Liabilities	254,986	698,697	953,683
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	271,439	1,140,674	1,412,113
Deferred Inflows of Resources - Leases	3,292	-	3,292
Total Deferred Inflows of Resources	274,731	1,140,674	1,415,405
FUND BALANCES (DEFICITS)			
Nonspendable	9,375,495	94,975	9,470,470
Restricted	1,210	3,257,164	3,258,374
Committed	77,083	-	77,083
Assigned	1,129,192	2,266,482	3,395,674
Unassigned	2,678,823	(16,677)	2,662,146
Total Fund Balances (Deficits)	13,261,803	5,601,944	18,863,747
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 13,791,520	$ 7,441,315	$ 21,232,835

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024

Total Fund Balance for Governmental Funds	$ 18,863,747
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	232,961
Construction in Progress	188,383
Buildings and Building Improvements	14,178,877
Machinery and Equipment	11,067,810
Infrastructure	22,065,420
Office Equipment and Furniture	214,845
Leased Vehicles and Equipment	212,497
Less: Accumulated Depreciation and Amortization	(26,815,265)
Some of the City’s property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period’s expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	1,412,113
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.	(84,245)
The City’s net pension asset is recorded only on the statement of net position.	694,367
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(8,260,000)
Unamortized Discounts and Premium	(214,644)
Lease Obligation	(113,377)
Deferred Outflows of Resources - Pensions	1,374,037
Deferred Outflows of Resources - Other Postemployment Benefits	17,056
Deferred Inflows of Resources - Pensions	(1,759,570)
Net Pension Liability	(1,190,142)
Other Postemployment Benefits Liability	(199,273)
Compensated Absences Payable	(246,462)
Total Net Position of Governmental Activities	$ 31,639,135

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General Property Taxes	$ 1,281,709	$ -	$ 679,363	$ 1,961,072
Tax Increments	-	-	472,642	472,642
Other Taxes	52,717	-	-	52,717
Licenses and Permits	96,982	-	-	96,982
Intergovernmental	8,992,342	-	424,905	9,417,247
Special Assessments	13,004	-	203,023	216,027
Charges for Services	316,793	-	255,868	572,661
Fines and Forfeits	27,377	-	-	27,377
Interest Income	227,371	-	94,918	322,289
Refunds and Reimbursements	123,585	-	16,598	140,183
Grants and Contributions	10,623	-	148,953	159,576
Miscellaneous	8,834	-	78,833	87,667
Total Revenues	11,151,337	-	2,375,103	13,526,440
EXPENDITURES				
Current:				
General Government	583,173	-	-	583,173
Public Safety	1,694,018	-	629,512	2,323,530
Public Works	702,815	-	8,752	711,567
Culture and Recreation	731,090	-	-	731,090
Economic Development	-	-	593,234	593,234
Capital Outlay:				
General Government	471,391	-	-	471,391
Public Safety	284,880	-	-	284,880
Public Works	448,793	-	5,717	454,510
Culture and Recreation	89,024	-	-	89,024
Leases:				
Principal	55,254	-	-	55,254
Interest and Fiscal Charges	5,716	-	-	5,716
Debt Service:				
Principal	-	-	805,000	805,000
Interest and Fiscal Charges	-	-	214,321	214,321
Total Expenditures	5,066,154	-	2,256,536	7,322,690
REVENUE OVER (UNDER) EXPENDITURES	6,085,183	-	118,567	6,203,750
OTHER FINANCING SOURCES (USES)				
Transfer In	249,500	-	170,148	419,648
Transfer Out	(72,084)	-	-	(72,084)
Proceeds from Sale of Capital Assets	42,719	-	-	42,719
Lease Issuances	109,039	-	-	109,039
Total Other Financing Sources (Uses)	329,174	-	170,148	499,322
NET CHANGE IN FUND BALANCE	6,414,357	-	288,715	6,703,072
Fund Balance - Beginning of Year, as Previously Reported	6,847,446	1,913,240	3,399,989	12,160,675
Adjustment, Change in Major Funds	-	(1,913,240)	1,913,240	-
Fund Balance - Beginning of Year, as Adjusted	6,847,446	-	5,313,229	12,160,675
FUND BALANCE - END OF YEAR	$ 13,261,803	$ -	$ 5,601,944	$ 18,863,747

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balances-Total Governmental Funds	$ 6,703,072
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.	
Capital Outlays	656,909
Gain on Disposal of Capital Assets	12,217
Depreciation and Amortization Expense	(1,263,255)
Pension expenses on the governmental funds are measured by current year employer contributions. Pension expenditures on the statement of activities are measured by the change in net pension liability (asset) and the related deferred inflows and outflows of resources.	17,466
Other postemployment benefits expenditures on the governmental funds are measured by current year employer contributions. Other postemployment benefits activity on the statement of activities are measured by the change in other postemployment benefits liability and the related deferred inflows and outflows of resources.	6,861
The governmental funds report bond and lease issuances as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Issuance of Lease Obligations	(109,039)
Repayment of Lease Obligations	55,254
Repayment of Bond Principal and Note Payable	805,000
Change in Accrued Interest Expense for General Obligation Bonds	9,396
Amortization of Bond Premium	107,235
Change in delinquent and deferred property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.	(202,482)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	12,862
Change in Net Position of Governmental Activities	$ 6,811,496

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS	Electric	Wastewater	Telecom	Windom Area Health April 30, 2024	Other Proprietary Funds	Total
CURRENT ASSETS						
Cash and Cash Equivalents	$ 3,503,222	$ 3,995,107	$ 739,229	$ 18,063,198	$ 3,668,863	$ 29,969,619
Restricted Cash and Investments	-	-	-	400,978	-	400,978
Accounts Receivable, Net of Allowance	963,626	252,155	265,050	6,274,562	60,334	7,815,727
Accrued Interest Receivable	-	-	-	150,277	-	150,277
Other Receivables	-	-	-	221,690	-	221,690
Special Assessments Receivable:	-	19,299	-	-	27,135	46,434
Inventory	-	7,268	-	239,524	364,495	611,287
Prepaid Items	1,182,942	-	82,390	142,108	-	1,407,440
Total Current Assets	5,649,790	4,273,829	1,086,669	25,492,337	4,120,827	40,623,452
LONG-TERM ASSETS						
Investment in Joint Venture	-	-	-	108,171	-	108,171
Leases Receivable	-	-	254,511			254,511
Capital Assets:						
Land, Buildings, Infrastructure, and Improvements	19,859,705	27,266,411	5,076,641	18,025,491	16,391,681	86,619,929
Equipment	7,240,615	5,420,962	6,353,147	19,616,849	5,561,126	44,192,699
Construction in Progress	6,218,451	-	135,238	7,712,173	-	14,065,862
Total Capital Assets	33,318,771	32,687,373	11,565,026	45,354,513	21,952,807	144,878,490
Less: Allowance for Depreciation and Amortization	(11,953,189)	(10,930,483)	(10,490,452)	(21,618,039)	(13,544,964)	(68,537,127)
Total Net Capital Assets	21,365,582	21,756,890	1,074,574	23,736,474	8,407,843	76,341,363
Total Long-Term Assets	21,365,582	21,756,890	1,329,085	23,844,645	8,407,843	76,704,045
Total Assets	27,015,372	26,030,719	2,415,754	49,336,982	12,528,670	117,327,497
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	45,683	22,572	39,165	2,045,677	66,023	2,219,120
Other Postemployment Benefits Related	5,081	2,903	4,718	7,756	10,887	31,345
Total Deferred Outflows of Resources	50,764	25,475	43,883	2,053,433	76,910	2,250,465
LIABILITIES						
CURRENT LIABILITIES						
Accounts and Contracts Payable	1,161,430	5,802	79,654	1,592,522	55,319	2,894,727
Accrued Expenses	14,974	7,604	19,721	1,357,345	27,103	1,426,747
Due to Other Funds	-	-	836,129	-	-	836,129
Accrued Interest	37,904	34,358	12,481	-	31,464	116,207
Estimated Third-Party Payor Settlements	-	-	-	392,054	-	392,054
Unearned Revenue	98,233	-	197,042	-	7,374	302,649
Lease Liability - Current Portion	-	1,161	5,541	447,212	1,161	455,075
Other Postemployment Benefits Liability - Current Portion	5,081	2,903	4,718	-	10,887	23,589
Bonds Payable - Current Portion	160,000	510,450	731,000	265,000	217,229	1,883,679
Total Current Liabilities	1,477,622	562,278	1,886,286	4,054,133	350,537	8,330,856
LONG-TERM LIABILITIES						
Compensated Absences - Long-Term	76,694	49,046	87,861	-	115,526	329,127
Net Pension Liability	224,817	111,085	192,740	6,213,355	324,915	7,066,912
Other Postemployment Benefits Liability	54,277	31,016	50,400	70,099	116,309	322,101
Bonds Payable - Long-Term	6,481,981	5,507,412	4,996,736	3,291,628	3,588,321	23,866,078
Lease Payable - Long Term	-	3,776	11,061	1,289,554	3,776	1,308,167
Total Long-Term Liabilities	6,837,769	5,702,335	5,338,798	10,864,636	4,148,847	32,892,385
Total Liabilities	8,315,391	6,264,613	7,225,084	14,918,769	4,499,384	41,223,241
DEFERRED INFLOWS OF RESOURCES						
Other Postemployment Benefits Related	-	-	-	118,198	-	118,198
Leases Related	-	-	242,990	-	-	242,990
Pension Related	158,181	78,159	135,611	2,073,084	228,610	2,673,645
Total Deferred Inflows of Resources	158,181	78,159	378,601	2,191,282	228,610	3,034,833
NET POSITION						
Net Investment in Capital Assets	14,450,911	15,734,091	(4,669,764)	19,337,504	4,597,356	49,450,098
Restricted for Specific Donor Restrictions	-	-	-	10,353	-	10,353
Restricted for Debt Service	-	-	-	400,978	-	400,978
Unrestricted	4,141,653	3,979,331	(474,284)	14,531,529	3,280,230	25,458,459
Total Net Position	$ 18,592,564	$ 19,713,422	$ (5,144,048)	$ 34,280,364	$ 7,877,586	$ 75,319,888

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024

	Electric	Wastewater	Telecom	Windom Area Health April 30, 2024	Other Proprietary Funds	Total
OPERATING REVENUES						
Sales	$ -	$ -	$ -	$ -	$ 2,237,978	$ 2,237,978
Costs of Goods Sold	-	-	-	-	(1,605,854)	(1,605,854)
Charges for Services	6,198,416	1,732,147	2,766,280	28,643,637	-	39,340,480
Charges for Materials and Labor	-	-	-	-	1,168,226	1,168,226
Facility Use/Other Revenue	-	-	-	555,068	346,059	901,127
Total Gross Profit and Operating Revenues	6,198,416	1,732,147	2,766,280	29,198,705	2,146,409	42,041,957
OPERATING EXPENSES						
Cost of Power	3,422,320	-	-	-	-	3,422,320
Personal Services	623,432	336,824	609,140	8,957,776	1,051,208	11,578,380
Other Professional Services	-	-	-	7,463,658	-	7,463,658
Administrative and General	641,492	382,635	1,309,305	7,910,632	674,920	10,918,984
Depreciation and Amortization	856,690	986,809	334,613	1,921,417	505,917	4,605,446
Other Operating Expense	-	-	26,991	1,611,893	374,004	2,012,888
Total Operating Expenses	5,543,934	1,706,268	2,280,049	27,865,376	2,606,049	40,001,676
OPERATING INCOME (LOSS)	654,482	25,879	486,231	1,333,329	(459,640)	2,040,281
OTHER INCOME (EXPENSES)						
Interest Income	323,383	162,370	48,389	858,010	135,947	1,528,099
Interest Expense and Bond Issue Costs	(240,319)	(13,319)	(133,900)	(380,731)	(26,223)	(794,492)
Gain (Loss) on Sale of Capital Assets	-	-	-	(6,588)	-	(6,588)
Taxes and Special Assessments	-	-	-	-	517,790	517,790
Contributions and Reimbursements	-	-	-	279,116	-	279,116
Total Other Income (Expenses)	83,064	149,051	(85,511)	749,807	627,514	1,523,925
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	737,546	174,930	400,720	2,083,136	167,874	3,564,206
CONTRIBUTIONS AND TRANSFERS						
Transfers In	-	-	-	-	72,084	72,084
Transfers Out	(200,750)	(58,974)	(2,250)	-	(157,674)	(419,648)
Capital Contributions	-	-	-	30,033	500	30,533
Equity Distributions	-	-	-	(172,695)	-	(172,695)
Total Contributions and Transfers	(200,750)	(58,974)	(2,250)	(142,662)	(85,090)	(489,726)
CHANGE IN NET POSITION	536,796	115,956	398,470	1,940,474	82,784	3,074,480
Net Position - Beginning of Year	18,055,768	19,597,466	(5,542,518)	32,339,890	7,794,802	72,245,408
NET POSITION - END OF YEAR	$ 18,592,564	$ 19,713,422	$ (5,144,048)	$ 34,280,364	$ 7,877,586	$ 75,319,888

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	Electric	Wastewater	Telecom
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	$ 5,817,737	$ 1,743,300	$ 2,754,910
Cash Paid to Suppliers	(4,537,892)	(409,975)	(1,383,470)
Cash Paid to Employees	(638,311)	(334,282)	(604,651)
Net Cash Provided (Used) by Operating Activities	641,534	999,043	766,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (In) Out	(200,750)	(58,974)	(2,250)
Due to Other Funds	3,381	-	832,748
Property Tax Revenues	-	17,520	-
Miscellaneous Revenues	-	-	(4,589)
Net Cash Provided (Used) by Noncapital Financing Activities	(197,369)	(41,454)	825,909
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Bonds and Notes	-	-	-
Assessments and Loans Receivable	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Equity Distributions to City of Windom	-	-	-
Capital Grants and Contributions	-	-	-
Acquisition and Construction of Capital Assets	(8,737,899)	(6,459)	(26,381)
Interest Paid on Long-Term Debt	(219,720)	(83,728)	(150,104)
Principal Payments on Lease Obligation	-	(95)	(6,373)
Principal Payments on Bonds and Notes	-	(503,563)	(719,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,957,619)	(593,845)	(901,858)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	-	-	-
Sale of Investments	-	-	-
Expenses Paid on Behalf of Related Party	-	-	-
Transfer from (to) Related Party	-	-	-
Investment Income (Loss)	323,383	162,370	48,389
Net Cash Provided (Used) by Investing Activities	323,383	162,370	48,389
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,190,071)	526,114	739,229
Cash and Cash Equivalents - Beginning of Year	11,693,293	3,468,993	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,503,222	$ 3,995,107	$ 739,229
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash	$ 3,503,222	$ 3,995,107	$ 739,229
Restricted Cash and Investments	-	-	-
Total Cash and Cash Equivalents	$ 3,503,222	$ 3,995,107	$ 739,229
NONCASH TRANSACTIONS			
Lease Issuances	$ -	$ 5,032	$ 22,975
Right-to-Use Capital Asset Additions on Lease Issuance	-	(5,032)	(22,975)
Capital Asset Additions in Construction Payable	172,690	-	-
Amortized Bond Premiums and Discounts	-	-	(15,337)
Total Noncash Investing, Capital, and Financing Activities	$ 172,690	$ -	$ (15,337)

CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Windom Area Health April 30, 2024	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	$ 27,182,334	$ 2,250,116	$ 39,748,397
Cash Paid to Suppliers	(14,481,126)	(1,221,703)	(22,034,166)
Cash Paid to Employees	(10,424,255)	(1,046,971)	(13,048,470)
Net Cash Provided (Used) by Operating Activities	2,276,953	(18,558)	4,665,761
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (In) Out	-	(85,590)	(347,564)
Due to Other Funds	-	-	836,129
Property Tax Revenues	-	517,790	535,310
Miscellaneous Revenues	279,116	-	274,527
Net Cash Provided (Used) by Noncapital Financing Activities	279,116	432,200	1,298,402
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Bonds and Notes	50,001	-	50,001
Assessments and Loans Receivable	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Equity Distributions to City of Windom	(172,695)	-	(172,695)
Capital Grants and Contributions	30,033	-	30,033
Acquisition and Construction of Capital Assets	(8,021,445)	(674,492)	(17,466,676)
Interest Paid on Long-Term Debt	(378,071)	(87,705)	(919,328)
Principal Payments on Lease Obligation	(403,193)	(95)	(409,756)
Principal Payments on Bonds and Notes	(255,000)	(191,410)	(1,668,973)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,150,370)	(953,702)	(20,557,394)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(14,241,763)	-	(14,241,763)
Sale of Investments	14,241,763	-	14,241,763
Expenses Paid on Behalf of Related Party	(47,820)	-	(47,820)
Transfer from (to) Related Party	47,820	-	47,820
Investment Income (Loss)	858,010	135,947	1,528,099
Net Cash Provided (Used) by Investing Activities	858,010	135,947	1,528,099
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,736,291)	(404,113)	(13,065,132)
Cash and Cash Equivalents - Beginning of Year	24,200,467	4,072,976	43,435,729
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 18,464,176	$ 3,668,863	$ 30,370,597
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash	$ 18,063,198	$ 3,668,863	$ 29,969,619
Restricted Cash and Investments	400,978	-	400,978
Total Cash and Cash Equivalents	$ 18,464,176	$ 3,668,863	$ 30,370,597
NONCASH TRANSACTIONS			
Lease Issuances	$ 1,687,397	$ 5,032	$ 1,720,436
Right-to-Use Capital Asset Additions on Lease Issuance	(1,687,397)	(5,032)	(1,720,436)
Capital Asset Additions in Construction Payable	-	-	172,690
Amortized Bond Premiums and Discounts	-	-	(15,337)
Total Noncash Investing, Capital, and Financing Activities	$ -	$ -	$ 157,353

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Electric	Wastewater	Telecom
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 654,482	$ 25,879	$ 486,231
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Provision for Bad Debts	-	-	-
Depreciation and Amortization	856,690	986,809	334,613
Equity in Net Income of Joint Venture	-	-	-
Increase in Deferred Outflows - Pension Related	64,029	30,961	47,361
(Increase) in Net Pension Liability	(158,581)	(76,302)	(105,380)
(Increase) in Deferred Inflows - Pension Related	9,589	5,534	20,070
Increase in Deferred Outflows - OPEB Related	(1,739)	(1,565)	(2,045)
(Increase) in Total OPEB Liability	19,643	18,018	23,353
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(381,622)	11,153	(208,412)
(Increase) Decrease in Accrued Interest Receivable	-	-	-
(Increase) Decrease in Prepaid Items	(1,182,942)	-	(82,390)
(Increase) Decrease in Inventory	1,060,825	632	-
Increase (Decrease) in Accounts and Contracts Payable	(284,904)	(4,618)	55,784
Increase (Decrease) in Due to Third Party Payer	-	-	-
Increase (Decrease) in Accrued Expenses	14,974	7,604	(3,927)
Increase (Decrease) in Due to Other Governments	-	-	19,721
Increase (Decrease) in Unearned Revenue	943	-	197,042
Increase (Decrease) in Accrued Compensated Absences	(29,853)	(5,062)	(15,232)
Net Cash Provided (Used) by Operating Activities	$ 641,534	$ 999,043	$ 766,789

See accompanying Notes to Financial Statements.

CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Windom Area Health April 30, 2024	Other Proprietary Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 1,333,329	$ (459,640)	$ 2,040,281
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Provision for Bad Debts	526,791	-	526,791
Depreciation and Amortization	1,921,417	505,917	4,605,446
Equity in Net Income of Joint Venture	(45,504)	-	(45,504)
Increase in Deferred Outflows - Pension Related	1,107,694	89,642	1,339,687
(Increase) in Net Pension Liability	(2,744,159)	(217,619)	(3,302,041)
(Increase) in Deferred Inflows - Pension Related	1,915,600	18,343	1,969,136
Increase in Deferred Outflows - OPEB Related	-	1,572	(3,777)
(Increase) in Total OPEB Liability	-	41,991	103,005
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(3,182,633)	116,339	(3,645,175)
(Increase) Decrease in Accrued Interest Receivable	(48,200)	-	(48,200)
(Increase) Decrease in Prepaid Items	(728)	1,890	(1,264,170)
(Increase) Decrease in Inventory	-	(4,410)	1,057,047
Increase (Decrease) in Accounts and Contracts Payable	658,941	(111,699)	313,504
Increase (Decrease) in Due to Third Party Payer	687,671	-	687,671
Increase (Decrease) in Accrued Expenses	146,734	25,138	190,523
Increase (Decrease) in Due to Other Governments	-	-	19,721
Increase (Decrease) in Unearned Revenue	-	(12,632)	185,353
Increase (Decrease) in Accrued Compensated Absences	-	(13,390)	(63,537)
Net Cash Provided (Used) by Operating Activities	$ 2,276,953	$ (18,558)	$ 4,665,761

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Windom, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City of Windom, Minnesota's significant accounting policies are described below.

A. Financial Reporting Entity

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City and its component units. A component unit is a legally separate entity for which the Primary Government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component include whether or not the Primary Government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

<u>Blended Component Units</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.

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 of the hospital.

For financial reporting purposes, the WAH is reported as if it were part of the City's operations because the City appoints the governing board and approves the budget of the WAH. Separately issued financial statements are available for WAH and its Foundation by contacting the chief financial officer of WAH 2150 Hospital Drive, Windom, Minnesota 56101.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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 unit:

Windom Area Health Foundation

The Windom Area Health Foundation (the Foundation) is a 501(c)(3) organization whose sole purpose is to support the Hospital. The Windom Area Health Foundation conducts fundraising campaigns on behalf of the Hospital. For financial reporting purposes, the Foundation is presented as a discretely presented component unit of the Hospital. Separately issued financial statements are available for WAH and its Foundation by contacting the chief financial officer of WAH 2150 Hospital Drive, Windom, Minnesota 56101.

Related Organization

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

The Windom Fire Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with *Minnesota Statutes*. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable *Minnesota Statutes*, whereby state aids flow to the Association, tax levies are determined by the Association, and are only reviewed by the City and the Association pays benefits directly to its members. The Association may certify tax levies to the county directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the general fund under public safety.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall City government.

Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Electric Fund

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

Wastewater Fund

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

Windom Area Health Fund

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

Telecom Fund

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 90 days after the end of the current period, except for property taxes which the City considers available if collected within 60 days after the end of the current period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriation budgets are adopted in the General Fund. The EDA does not have a legally adopted budget. Budgeted amounts are reported as originally adopted, or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets (Continued)

3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.

5. Budgets are adopted on a basis consistent with GAAP. Budgeted amounts presented are as originally adopted, and final as amended.

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

1. Cash and Investments

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund in the governmental fund financial statements, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund payables are eliminated for statement of net position presentation.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less and investments in the Minnesota Municipal Money Market Fund are reported at amortized cost. Other investments are reported at fair value.

2. Restricted Cash and Investments

At April 30, 2024, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Property Tax Revenue Recognition

Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing entities three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable revenue in the governmental funds because it is not available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements.

4. Special Assessment Revenue Recognition

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

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year.

Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by unavailable revenues. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Special Assessment Revenue Recognition (Continued)

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

5. Accounts Receivable and Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable are established when City management believes that some portion of the receivable will not be collected. Management's estimate of the required allowance is based upon historical experience and analysis of receivables on a specific identification basis.

The Hospital provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the Hospital. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At April 30, 2024, the allowance for uncollectible accounts was approximately $379,000.

6. Utility Billing

The City bills customers monthly for the following utility services: electric, sewer, and water. The City bills and recognizes the electric, sewer, and water services revenue when the meters are read. Telecommunications are also billed monthly.

7. Inventories

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. The prepaid expenditure/expense balances included in the financial statements represent supplies in the proprietary funds to be used in subsequent years.

9. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as interfund receivables and payables on the governmental fund balance sheet and proprietary fund statement of net position.

10. Land Held for Resale

These assets are recorded at the lower of original cost or current net realizable value in the governmental fund, which purchased them.

11. Capital Assets

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated acquisition value at the time received. In the case of the initial capitalization of infrastructure, the City retroactively implemented the reporting of this item when GASB 34 was implemented. The City and the Hospital use a capitalization threshold of $5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes. Useful lives for the City vary from three years for Computer Equipment; 5 to 15 years for Office Furnishings, Machinery, and Equipment; 25 to 50 years for Buildings and Other Improvements and Infrastructure.

Useful lives for the Hospital vary from 8 to 20 years for land improvements, 10 to 40 years for buildings, 5 to 20 years for fixed equipment, and 3 to 20 years for moveable equipment. Capital assets not being depreciated include land and construction in progress.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Capital Assets (Continued)

Property, plant, and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated acquisition value at the time received.

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

12. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that have been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits used for time off or for severance pay. 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 of severance pay is calculated based on historical trends.

13. Pension Asset/Liability

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Windom Fire Department Relief Association Plan (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. This amount was actuarially determined in accordance with GASB Statement No. 75. The plan contributions and benefit payments (including refunds of contributions) are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Premiums are funded on a pay-as-you-go basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Other Postemployment Benefit (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City's OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms.

15. Long-Term Obligations

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

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as an other financing source. Premiums and discounts received on debt issuances are reported as other financing sources and uses, respectively. Bond issuance costs are reported as debt service expenditures.

16. Deferred Outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs. More detailed information about pension and OPEB related deferred outflows of resources can be found in Notes 6, 11, and 12 to the financial statements.

17. Deferred Inflows of Resources

The City's governmental fund, proprietary fund and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance/net position that applies to a future period. The City will not recognize the related revenue until a future event occurs. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The second type of deferred inflow of resources relates to pension activity as described in Notes 6 and 11. The third type of deferred inflow of resources relates to OPEB activity as described in Note 12.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

17. Deferred Inflows of Resources (Continued)

The statement of net position and the governmental funds balance sheet also report a deferred inflow of resources related to leases. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

18. Interfund Transactions

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

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

19. Net Position

Net position is comprised of three components: net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – Consists of capitals assets, net of accumulated depreciation/amortization and reduced by oustanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position – Is reported when there are limitations on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws, or regulations of other governments.

Unrestricted Net Position – Is the amount of net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the policy the City of Windom, Minnesota’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

20. Fund Balance

The classifications of fund balances are described as follows:

Nonspendable Fund Balance – Consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – Consists of amounts that can be spent only for specific purposes because of constraints imposed by external resource providers (creditors, grantors contributors or laws or regulations of other governments) or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance – Consists of amounts that can be used only for the specific purposes determined by a formal action (resolution) of the City of Windom, Minnesota's Council, the City's highest decision-making level of authority. Commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint.

Assigned Fund Balance – Consists of amounts that are intended to be used by the City of Windom, Minnesota for specific purposes but do not meet the criteria to be classified as committed. Intent may be expressed either by the Council or officials to which the Council has delegated authority.

Unassigned Fund Balance – Consists of the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. The City's policy is to maintain an unrestricted fund balance in the General Fund an amount not less than 35% or more than 60% of the next year's budgeted expenditures of the General Fund.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

21. Leases

The City determines if an arrangement is a lease at inception. Leases for which the City is the lessor are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

22. 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, liabilities, deferred outflows and inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

23. 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 $75,000 for the year ended April 30, 2024.

24. 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.

F. Adoption of New Accounting Standard

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

NOTE 2 DEPOSITS AND INVESTMENTS

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2024, based on market prices. Investment earnings on cash and pooled investments are credited to all funds based on their cash balances each month. In addition, some funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

A. Deposits

In accordance with applicable Minnesota State Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. *Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the City's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with *Minnesota Statutes.*

B. Investments

The City and Hospital may also invest idle funds as authorized by *Minnesota Statutes* as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rated "A" or better;
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories;
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

As of December 31, 2024, the City and the Hospital had the following investments:

External Investment Pools

	Amortized Cost
Minnesota Municipal Money Market Fund - Liquid Asset Fund	$ 6,719,160
Minnesota Municipal Money Market Fund Plus - Liquid Asset Fund	4,864,398
Total	$ 11,583,558

The Minnesota Municipal Money Market Fund Liquid Asset Fund (4M) is an external investment pool not registered with the Securities and Exchange Commission (SEC). There are no restrictions on withdrawals from the 4M Liquid Asset Fund, and withdrawals may be effected on a same day basis.

All investments in the 4M Plus Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days’ interest on the amount withdrawn (calculated using the dividend rates in effect for the 7-day period immediately preceding the withdrawal date). The penalty will be payable even if the amount withdrawn had not been invested in the 4M Plus Fund for the full 7-day period preceding the withdrawal. The fair value of the presentation in the pool is the same as the value of the pool shares.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Maturities for investments held by the City at December 31, 2024 are as follows:

Type	Total	12 Months or Less	13 to 24 Months
External Investment Pool	$ 11,583,558	$ 11,583,558	$ -
Federal Home Loan Bank Notes	1,500,000	500,000	1,000,000
U.S. Treasury Notes	4,993,750	4,993,750	-
Non-Negotiable Certificates of Deposit	5,529,823	5,529,823	-
Negotiable Certificates of Deposit	2,249,935	2,249,935	-
	$ 25,857,066	$ 24,857,066	$ 1,000,000

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Federal Home Loan Bank Notes were rated Aaa/AA+ by Moody's and S&P respectively. The 4M Fund is not rated.

Concentration of Credit Risk – The City's investment policy places no limit on the amount that may be invested with any one issuer or depository. Concentrations at December 31, 2024 were as follows:

Investment	Amount	Percent
Federal Home Loan Bank Notes	$ 1,500,000	5.80%

Custodial Credit Risk – Investments – For an investment, this is that risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all balances are insured or collateralized with each investment account.

<u>Fair Value Measurements</u>

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The negotiable certificates of deposit totaling $2,249,935 and the Federal Home Loan Bank Notes totaling $1,500,000 are categorized as Level 2.

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

Cash on Hand	$ 2,335
Deposits	13,055,717
External Investment Pool	11,583,558
Non-Negotiable Certificates of Deposits	5,529,823
Negotiable Certificates of Deposits	2,249,935
U.S. Treasury Notes	4,993,750
Federal Home Loan Bank Notes	1,500,000
Total Cash and Investments	$ 38,915,118
Cash and Investments	$ 38,514,140
Restricted Cash and Investments	400,978
Total Cash and Investments	$ 38,915,118

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated or Amortized:					
Land	$ 232,961	$ -	$ -	$ -	$ 232,961
Construction in Progress	342,768	137,281	-	(291,666)	188,383
Total Capital Assets, Not Being Depreciated or Amortized	575,729	137,281	-	(291,666)	421,344
Capital Assets, Being Depreciated or Amortized:					
Buildings and Building Improvements	14,178,877	-	-	-	14,178,877
Office Equipment and Furniture	208,689	6,156	-	-	214,845
Machinery and Equipment	10,342,942	443,452	(10,250)	291,666	11,067,810
Infrastructure	22,050,425	14,995	-	-	22,065,420
Leased Vehicles and Equipment	160,786	55,025	(3,314)	-	212,497
Total Capital Assets, Being Depreciated or Amortized	46,941,719	519,628	(13,564)	291,666	47,739,449
Accumulated Depreciation and Amortization for:					
Buildings and Building Improvements	(4,782,759)	(402,684)	-	-	(5,185,443)
Office Equipment and Furniture	(200,084)	(2,770)	-	-	(202,854)
Machinery and Equipment	(8,259,455)	(356,087)	10,250	-	(8,605,292)
Infrastructure	(12,244,542)	(487,958)	-	-	(12,732,500)
Leased Vehicles and Equipment	(90,951)	(13,756)	15,531	-	(89,176)
Total Accumulated Depreciation and Amortization	(25,577,791)	(1,263,255)	25,781	-	(26,815,265)
Total Capital Assets, Being Depreciated and Amortized, Net	21,363,928	(743,627)	12,217	291,666	20,924,184
Governmental Activities Capital Assets, Net	$ 21,939,657	$ (606,346)	$ 12,217	$ -	$ 21,345,528

Depreciation and amortization expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	$ 311,107
Public Safety	323,542
Public Works	497,131
Culture and Recreation	45,989
Economic Development	85,486
Total Depreciation and Amortization Expense, Governmental Activities	$ 1,263,255

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, not Being Depreciated or Amortized:					
Land	$ 519,424	$ -	$ (406)	$ -	$ 519,018
Construction in Progress	7,329,979	8,397,579	(146,547)	(1,515,149)	14,065,862
Total Capital Assets, not Being Depreciated or Amortized	7,849,403	8,397,579	(146,953)	(1,515,149)	14,584,880
Capital Assets, Being Depreciated or Amortized:					
Buildings and Building Improvements	44,727,548	2,125,282	-	369,680	47,222,510
Furniture and Equipment	17,612,811	218,278	-	583,039	18,414,128
Machinery and Equipment	19,268,825	4,083,222	-	95,591	23,447,638
Infrastructure	35,403,407	2,979,834	-	466,839	38,850,080
Leased Vehicles and Equipment	659,751	1,699,503	-	-	2,359,254
Total Capital Assets, Being Depreciated or Amortized	117,672,342	11,106,119	-	1,515,149	130,293,610
Accumulated Depreciation and Amortization for:					
Buildings and Building Improvements	(20,549,158)	(1,153,057)	-	-	(21,702,215)
Furniture and Equipment	(10,486,509)	(925,476)	-	-	(11,411,985)
Machinery and Equipment	(12,649,757)	(745,136)	-	-	(13,394,893)
Infrastructure	(20,046,550)	(1,428,979)	-	-	(21,475,529)
Leased Vehicles and Equipment	(196,676)	(352,798)	(3,031)	-	(552,505)
Total Accumulated Depreciation and Amortization	(63,928,650)	(4,605,446)	(3,031)	-	(68,537,127)
Total Capital Assets, Being Depreciated and Amortized, Net	53,743,692	6,500,673	(3,031)	1,515,149	61,756,483
Business-Type Activities Capital Assets, Net	$ 61,593,095	$ 14,898,252	$ (149,984)	$ -	$ 76,341,363

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

Business-Type Activities:	
Electric Fund	$ 856,690
Water Fund	295,694
Liquor Fund	31,055
Wastewater Fund	986,809
Telecom Fund	334,613
Windom Area Hospital	1,921,417
Arena Fund	86,714
Multi-Purpose Fund	64,372
River Bluff Townhomes	28,082
Total Depreciation and Amortization Expense, Business-Type Activities	$ 4,605,446

NOTE 4 LEASES

Lessor

The City, acting as lessor, leases space for cellular services under a long-term, noncancelable lease agreements. The leases expire in varying intervals between 2028 in 2030. During the year ended December 31, 2024, the City recognized $58,898 and $12,388 in lease revenue and interest revenue, respectively, pursuant to this contract.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Year Ending December 31,	Principal	Interest
2025	$ 60,369	$ 9,932
2026	60,310	6,890
2027	63,303	3,897
2028	42,487	1,613
2029	30,443	357
2030 - 2034	700	-
Total	$ 257,612	$ 22,689

Lessee

The City entered into long-term, noncancelable lease agreements for various vehicles. The leases will expire through 2028.

The City entered into long-term, noncancelable lease agreements for copy machines. The leases will expire through 2028.

The Hospital entered into lease agreements for medical equipment. The leases will expire through 2028.

Principal and interest requirements to maturity under lease agreements are as follows:

	Governmental Activities		Business-Type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2025	$ 40,677	$ 4,164	$ 455,413	$ 71,246
2026	33,468	2,572	476,286	50,373
2027	30,322	1,139	428,253	29,086
2028	8,910	205	371,580	10,167
2029	-	-	31,710	-
Total	$ 113,377	$ 8,080	$ 1,763,242	$ 160,872

NOTE 5 CITY INDEBTEDNESS

City indebtedness at December 31, 2024 is composed of the following:

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Description	Initial Amount Issued	Maturity Date	Interest Rate	Outstanding Principal
General Obligation Bonds:				
Governmental Activities:				
GO Improvement Bonds, Series 2017C (2009A Ref)	$ 830,000	2025	2.00%	$ 125,000
GO Improvement Bonds, Series 2017A	2,870,000	2039	3.00-3.25%	2,225,000
GO Improvement Series 2018A	1,015,000	2026	3.00-3.40%	315,000
GO Improvement Bonds, Series 2020B	3,135,000	2041	2.25-3.00%	2,715,000
GO Improvement Bonds, Series 2020C	345,000	2041	2.00-3.00%	300,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,600,000	2034	1.15-2.00%	1,175,000
GO Refunding Bonds, Series 2020D (2016 Lease Refund)	1,680,000	2037	1.15-2.00%	1,405,000
Total Governmental Activities - G.O. Bonds	11,475,000			8,260,000
Business-Type Activities:				
GO Improvement Bonds, Series 2017A	1,150,000	2039	3.00-3.25%	870,000
GO Equipment - Telecom Upgrade	855,000	2027	3.00%	300,000
GO Equipment Certificates, Series 2018A	1,095,000	2038	3.00-3.40%	830,000
GO Improvement Series 2020B	1,105,000	2041	2.25-3.00%	970,000
GO Refunding Bonds, Series 2020D (2011A Refund)	1,805,000	2029	1.15-2.00%	1,135,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,230,000	2034	1.15-2.00%	975,000
GO Equipment and Tax Abatement Bonds, Series 2023B	6,905,000	2043	4.25-5.00%	6,905,000
Total Business-Type Activities - G.O. Bonds	14,145,000			11,985,000
Total General Obligation Bonds	$ 25,620,000			$ 20,245,000
Lease Obligations:				
Governmental Activities:				
Police 2021 Equinox	$ 13,348	2026	3.97%	$ 4,883
2022 Interceptor	26,373	2027	6.71%	14,262
Ram Durango	37,325	2028	4.00%	32,358
2020 Ford F150	20,970	2025	5.00%	1,737
2021 Interceptor	28,483	2025	4.00%	4,919
Copier Machine	35,679	2028	4.00%	27,472
Ram 1500	36,035	2028	4.00%	27,746
Total Governmental Activities - Lease Obligations	$ 198,213			$ 113,377
Business-Type Activities:				
Copier Machine	$ 12,106	2028	4.00%	$ 9,874
Medical Equipment	573,386	2028	4.00%	1,736,766
Telecom F250	27,299	2027	7.40%	16,602
Total Business-Type Activities - Lease Obligations	612,791			1,763,242
Total Lease Obligations	$ 811,004			$ 1,876,619
Business-Type Activities:				
River Bluff Townhomes - Bank of the West	$ 488,847	2031	2.01%	$ 160,490
River Bluff Townhomes - MHFA	353,305	2031	0.00%	353,305
River Bluff Townhomes - GMHF	180,000	2031	0.00%	158,251
CWRF Wastewater Treatment Plant (direct borrowing)	9,624,333	2038	1.00%	3,690,380
Total Business-Type Activities	10,646,485			4,362,426
Total Note Payable from Direct Borrowings	$ 10,646,485			$ 4,362,426
General Obligation Revenue Bonds and Direct Borrowing:				
Business-Type Activities:				
Healthcare Facilities Revenue Bond, 2023A	$ 20,138,646	2043	5.70%	$ 50,000
GO Revenue Hospital Bonds, Series 2014A	5,600,000	2034	1.00-4.15%	3,535,000
Communication System Annual Appropriation Refunding Bonds, Series 2020A	7,820,000	2032	1.95%	5,423,000
Total Business-Type Activities Revenue Bonds	$ 33,558,646			$ 9,008,000

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2024:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 9,065,000	$ -	$ 805,000	$ 8,260,000	$ 830,000
Bond Subtotal	9,065,000	-	805,000	8,260,000	830,000
Bond Premium	321,879	-	107,235	214,644	-
Net Bond Subtotal	9,386,879	-	912,235	8,474,644	830,000
Lease Obligations	59,592	109,039	55,254	113,377	41,452
Compensated Absences	259,324	-	12,862	246,462	-
Total Governmental Activities	9,705,795	109,039	980,351	8,834,483	871,452
Business-Type Activities:					
General Obligation Bonds	12,540,000	-	555,000	11,985,000	745,000
General Obligation Revenue Bonds	9,832,000	50,000	874,000	9,008,000	896,000
Bond Subtotal	22,372,000	50,000	1,429,000	20,993,000	1,641,000
Bond Premium	591,785	-	169,082	422,703	-
Bond Discount	(48,626)	-	(20,254)	(28,372)	-
Net Bond Subtotal	22,915,159	50,000	1,577,828	21,387,331	1,641,000
Note Payable from Direct Borrowings	4,599,281	3,118	239,973	4,362,426	242,679
Lease Obligations	473,495	1,699,503	409,756	1,763,242	455,075
Compensated Absences	392,664	-	63,537	329,127	-
Total Business-Type Activities	28,380,599	1,752,621	2,291,094	27,842,126	2,338,754
Total Debt	$ 38,086,394	$ 1,861,660	$ 3,271,445	$ 36,676,609	$ 3,210,206

The change in the liability for compensated absences is presented as a net change.

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable, are as follows:

	Governmental Activities Long-Term Debt							
	Bonds		Notes from Direct Borrowings		Lease Obligations		Totals	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 830,000	$ 193,230	$ -	$ -	$ 41,452	$ 3,903	$ 871,452	$ 197,133
2026	730,000	173,005	-	-	34,275	2,304	764,275	175,309
2027	585,000	155,955	-	-	31,162	836	616,162	156,791
2028	605,000	140,855	-	-	6,488	41	611,488	140,896
2029	615,000	125,355	-	-	-	-	615,000	125,355
2030-2034	2,720,000	425,365	-	-	-	-	2,720,000	425,365
2035-2039	1,875,000	148,561	-	-	-	-	1,875,000	148,561
2040-2041	300,000	7,575	-	-	-	-	300,000	7,575
Totals	$ 8,260,000	$ 1,369,901	$ -	$ -	$ 113,377	$ 7,084	$ 8,373,377	$ 1,376,985

	Business-Type Activities Long-Term Debt							
	Bonds		Notes from Direct Borrowings		Lease Obligations		Totals	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 1,641,000	$ 678,168	$ 242,679	$ 40,072	$ 455,075	$ 70,960	$ 2,338,754	$ 789,200
2026	1,723,000	632,024	246,118	37,422	476,032	50,089	2,445,150	719,535
2027	1,795,000	582,740	249,567	34,731	427,566	28,818	2,472,133	646,289
2028	1,691,000	533,332	253,025	32,005	370,647	10,109	2,314,672	575,446
2029	1,745,000	483,960	289,492	29,238	33,922	-	2,068,414	513,198
2030-2034	6,138,000	1,637,720	1,931,165	100,240	-	-	8,069,165	1,737,960
2035-2039	4,105,000	832,933	1,150,380	28,925	-	-	5,255,380	861,858
2040-2043	2,155,000	183,293	-	-	-	-	2,155,000	183,293
Totals	$ 20,993,000	$ 5,564,170	$ 4,362,426	$ 302,633	$ 1,763,242	$ 159,976	$ 27,118,668	$ 6,026,779

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

In 2014, the Hospital issued $5,600,000 in Gross Revenue Hospital Bonds (Series 2014A) for partial financing of a hospital expansion and renovation project. Principal payments are due annually commencing September 2015 to September 2034 with interest paid semi-annually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds are payable from the gross revenues of the Hospital. The bonds are payable from the "Gross Revenues" of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service and are expected to cover future principal and interest payments of $$3,535,000 and $848,819, respectively. Pledged revenue for the current year was $3,046,216 and principal and interest paid was $255,000 and $144,280, respectively. 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, 2024.

In 2017, the City issued $4,020,000 in GO Improvement and Utility Revenue Bonds, Series 2017A maturing in 2019 through 2039 with interest ranging from 3.00 % to 3.25 % to be paid semi-annually. Pledged revenues are expected to cover future principal and interest payments of $870,000 and $207,040, respectively. Pledged revenue for the current year was $1,467,810 and principal and interest paid was $50,000 and $28,170, respectively.

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

In 2017, the City issued $830,000 in General Obligation Improvement Refunding Bonds (Series 2017C) for a current refunding of the Series 2009A General Obligation Bonds maturing in 2019 through 2025.

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

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

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

This loan is for wastewater treatment plant rehabilitation and expansion. The total available loan is $9,624,333. At December 31, 2024, the City had drawn $8,909,643 of the total available loan. Pledged revenues are expected to cover future principal and interest payments of $3,690,000 and $289,992, respectively. Pledged revenue for the current year was $1,013,085 and principal and interest paid was $218,462 and $29,859, respectively.

In 2020, the City issued $7,820,000 in Communication System Annual Appropriation Refunding Bonds, Series 2020A for a current refunding of the Series 2012B Community System Annual Appropriation Refunding Bonds maturing in 2032. Pledged revenues are expected to cover future principal and interest payments of $5,423,000 and $433,865, respectively. Pledged revenue for the current year was $821,465 and principal and interest paid was $619,000 and $111,783, respectively.

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

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

In 2020, the City also issued $6,315,000 in General Obligation Refunding Bonds, Series 2020D for a current refunding of the Series 2011A General Obligation Water and Sewer Revenue Bonds, 2013A General Obligation Improvement Bonds, and the Lease with Option to Purchase Agreement of 2016. The proceeds were used to pay off the refunded debt on the February 1, 2021 call date.

In 2023, the City issued $6,905,000 in General Obligation Equipment and Tax Abatement Bonds, Series 2023B for the purpose of the construction and equipping of a new electric generation building and renovations to the City municipal liquor store. Principal payments are due annually commencing February 2024 to February 2041 with interest ranging from 4.25% to 5.00%, to be paid semi-annually.

In 2023, the Hospital issued Gross Revenue Bonds, Series 2023A in the original issuance amount of $20,138,646 with an interest rate of 5.70%. Principal payments are due monthly upon completion of the construction of a medical office building in which the bonds were issued to finance. As of April 30, 2024 there were draws of $50,001 of the bonds. 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.

The City’s outstanding notes from direct borrowings related to business-type activities of $672,046 related to River Bluff Townhomes. These outstanding notes are secured by the related properties. Pledged revenues are expected to cover future principal and interest payments of $672,046 and $12,641, respectively. Pledged revenue for the current year was $52,759 and principal and interest paid was $21,510 and $1,636, respectively.

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

These notes contain a provision that an event of default exists if the net revenues from River Bluff Townhomes are insufficient to pay the related debt service, or if the City ceases to own and operate River Bluff Townhomes for market-rate and low-income housing. If either situation exists, then the outstanding amounts are due immediately.

NOTE 6 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA).These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined pensions plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in noncertified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Fund

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested", they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. 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 prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. 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 prorated increase.

C. Contributions

Minnesota Statutes Chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for General Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2024 were $880,886. The City contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024 were $144,464. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of $7,494,479 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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled $204,292. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0347 percent at the end of the measurement period and 0.0344 percent for the beginning of the period.

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

City's Proportionate Share of Net Pension Liability	$	7,494,479
State of Minnesota's Proportionate Share of Net Pension Liability Associated with the City		204,292
Total	$	7,698,771

For the year ended December 31, 2024, the City recognized pension expense of $1,167,772 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $1,179 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.

During the plan year ended June 30, 2024, the state of Minnesota contributed $170.1 million to the General Employees Fund. The state of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $58,944 for the year ended December 31, 2024 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 General Employees Fund.

At December 31, 2024, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 324,477	$ 42,796
Changes in Actuarial Assumptions	1,011,986	2,187,703
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	604,359
Changes in Proportion	205,426	139,621
Contributions Paid to PERA Subsequent to the Measurement Date	764,112	-
Total	$ 2,306,001	$ 2,974,479

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

The $764,112 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2025	$ (198,540)
2026	(961,443)
2027	(39,644)
2028	(232,963)

2. Police and Fire Fund Pension Costs

At December 31, 2024 the City reported a liability of $762,575 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0580% at the end of the measurement period and 0.0574% for the beginning of the period.

The state of Minnesota contributed $37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of $19.4 million, and $9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, $9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled $29,069.

For the year ended December 31, 2024, the City recognized pension expense of $142,590 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $11,428 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 special funding situation.

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $5,217 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's Proportionate Share of Net Pension Liability	$	762,575
State of Minnesota's Proportionate Share of Net Pension Liability Associated with the City		29,069
Total	$	791,644

At December 31, 2024, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 297,182	$ -
Changes in Actuarial Assumptions	838,267	1,122,911
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	247,951
Changes in Proportion	41,572	24,762
Contributions Paid to PERA Subsequent to the Measurement Date	72,201	-
Total	$ 1,249,222	$ 1,395,624

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The $72,201 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	$ (36,673)
2026	201,990
2027	(105,283)
2028	(297,861)
2029	19,224

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10%
International Equity	16.5	5.30%
Fixed Income	25.0	0.75%
Private Markets	25.0	5.90%
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

- Inflation is assumed to be 2.25% for the General Employees Plan and the Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan and the Correctional 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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Plan Provisions:

- The State Contribution of $9 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional $9 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7%. 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.

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the General Employee's Plan Net Pension Liability	$ 13,788,748	$ 7,494,479	$ 2,315,724

Description	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	$ 1,802,113	$ 762,575	$ (91,104)

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

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

J. Aggregate Pension Costs

At December 31, 2024, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	General Employees Retirement Plan	Public Employees Police and Fire Fund	Fire Relief Association (Note 11)	Total
Net Pension Liability	$ 7,494,479	$ 762,575	$ -	$ 8,257,054
Net Pension Asset	-	-	(694,367)	(694,367)
Deferred Outflows of Resources	2,306,001	1,249,222	37,934	3,593,157
Deferred Inflows of Resources	2,974,479	1,395,624	63,112	4,433,215
Pension Expense	1,227,485	159,235	(4,074)	1,382,646

NOTE 7 DEFINED CONTRIBUTION PENSION PLAN

1. Plan Description

Ambulance service personnel of the City of Windom, Minnesota 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 and 356, 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%) of the assets in each member's account annually.

NOTE 7 DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

1. Plan Description (Continued)

Total contributions made by the City of Windom, Minnesota during fiscal year 2024 were:

Contribution Amount		Contribution Amount		Required
Employee	Employer	Employee	Employer	Rate
$ 19,073	$ 19,073	5%	5%	5%

NOTE 8 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2024 as follows:

Other Governmental Funds:	
2025 Street Capital Project Fund	$ (16,677)
Proprietary Funds:	
Telecom	(5,144,048)
River Bluff Townhomes	(24,173)

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, charges for services, transfers from other funds, and various other sources.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund at December 31, 2024.

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

	Budget	Actual	Excess
General Fund	$ 3,865,076	$ 5,066,154	$ 1,201,078

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due to/from Other Funds

Individual fund receivable and payable balances at December 31, 2024 are as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds	Description
General Fund	$ 873,523	$ -	Eliminate Deficit Cash
Nonmajor Governmental Funds	-	37,394	Eliminate Deficit Cash
Proprietary Funds:			
Telecom Fund	-	836,129	Eliminate Deficit Cash
Total Due To/From	$ 873,523	$ 873,523	

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

B. Advances to/from Other Funds

Individual fund advances to and advances from balances at December 31, 2024 are as follows:

Fund	Advances To Other Funds	Advances From Other Funds
General Fund	$ 489,027	$ -
Economic Development Fund	-	489,027
Total Advances	$ 489,027	$ 489,027

The advance was made to fund redevelopment of the former Cemstone property through the economic development fund and is expected to be repaid via tax increment collections in future years.

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

C. Transfers

Transfers between funds during 2024 are as follows:

	Transfer In	Transfer Out	Description
Major Governmental Funds:			
General Fund	$ 245,000	$ -	Annual Contribution
General Fund	-	72,084	Transfer of Debt Payment
General Fund	4,500	-	Transfer for City Wide Network
Nonmajor Governmental Funds:			
Capital Projects Funds			
Capital Projects Fund	55,000	-	Transfer of Debt Payment
Debt Service Funds:			
2017 Street Project	77,810	-	Transfer of Debt Payment
2009 Street Improvement Bond Fund	37,338	-	Transfer of Debt Payment
Major Enterprise Funds:			
Water Utility	-	750	Transfer for City Wide Network
Wastewater Utility	-	750	Transfer for City Wide Network
Wastewater Utility	-	115,148	Transfer of Debt Payment
Electric Utility	-	750	Transfer for City Wide Network
Electric Utility	-	145,000	Annual Contribution
Electric Utility	-	55,000	Meter Reading Equipment
Liquor	-	100,000	Annual Contribution
Telecom Fund	-	2,250	Transfer for City Wide Network
Nonmajor Enterprise Funds:			
Arena	72,084	-	Funding for Arena Project Debt
Total	$ 491,732	$ 491,732	

NOTE 10 RISK MANAGEMENT

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT.

The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is a premium option. With this type of coverage, final premiums are based on an experience modification factor that is adjusted annually based on three years of historical data.

NOTE 10 RISK MANAGEMENT (CONTINUED)

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

A. Plan Description

Firefighters of the City of Windom are members of the Windom Fire Department Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2023, membership includes 28 active participants and four inactive participants. The plan issues a stand-alone financial statement.

B. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Windom Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of $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, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and at least 10 years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

B Benefits Provided (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.

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are specified in Minnesota Statutes. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contributions from the City and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
=	Total Contribution Required

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City $60,822 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2024 was $-0-.

D. Pension Costs

At December 31, 2024, the City reported an asset of $694,367 for the Association's net pension asset/liability. The net pension asset/liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of ($4,074) for the year ended December 31, 2024. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 5,822	$ 44,749
Changes in Actuarial Assumptions	32,112	2,835
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	15,528
Total	$ 37,934	$ 63,112

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

Year Ending December 31,	Pension Expense Amount
2025	$ (9,974)
2026	(2,619)
2027	18,488
2028	(32,039)
2029	(878)
Thereafter	1,844

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT	
Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.00%
Investment Rate of Return	5.00%
Inflation Rate	2.50%
Age of Service Retirement	50

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Allocation at December 31, 2023	Long-Term Expected Real Rate of Return
Domestic Equity	53.0 %	4.10%
International Equity	13.0	4.64%
Fixed Income	20.0	1.05%
Real Estate and Alternatives	1.0	3.54%
Cash and Cash Equivalents	13.0	-0.45%
Total Portfolio	100.0 %	
Total Portfolio Expected Real Rate of Return		5.00%

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 5 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Asset Sensitivity

The following presents the City of Windom's proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.25 percent, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Net Pension Asset	$ (668,471)	$ (694,367)	$ (719,460)
Discount Rate	4.00%	5.00%	6.00%

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

H. Plan's Fiduciary Net Position

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

	December 31, 2023 Measurement Date	December 31, 2022 Measurement Date
Total Pension Liability		
Service Cost	$ 40,939	$ 45,130
Interest	33,755	39,763
Change in Assumptions	-	16,692
Benefit Payments	(61,750)	(180,150)
Differences Between Expected and Actual Experience	-	7,124
Changes of Benefit Terms	-	-
Net Change in Total Pension Liability	12,944	(71,441)
Total Pension Liability - Beginning	665,041	736,482
Total Pension Liability - Ending (a)	677,985	665,041
Plan Fiduciary Net Position		
Municipal Contributions	-	-
State Contributions	60,822	56,390
Donations and Other Income	-	-
Net Investment Income	211,980	(175,707)
Benefit Payments	(61,750)	(180,150)
Administrative Expenses	(18,791)	(1,325)
Other Changes	-	-
Net Change in Fiduciary Net Position	192,261	(300,792)
Fiduciary Net Position - Beginning	1,180,091	1,480,883
Fiduciary Net Position - Ending (b)	1,372,352	1,180,091
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	$ (694,367)	$ (515,050)

I. Plan's Fiduciary Net Position Pension Liability Sensitivity

Detailed information about the pension plan's fiduciary net position is available in a separately issued financial report that includes financial statements and required supplementary information that can be obtained from President of the Relief Association at 444 9th Street Windom, MN 56101.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City operates a single-employer defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. There are 42 active participants and 3 retired participants. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report. The City has no assets accumulated in a trust that meets the definition of GASB Statement No. 75.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Benefits Provided

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

C. Actuarial Methods and Assumptions

The City's total OPEB liability was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2023 using the alternate measurement method.

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

Inflation	2.50% (2.25% at Previous Measurement Date)
Medical Trend Rates	6.90% Decreasing Over Several Years to an Ultimate Rate of 3.9% in FY2075 and Later Years

Mortality Rates were based on the Pub-2010 mortality tables with projected monthly improvements based on Scale MP-2021 (Scale MP-2020 at previous measurement date), and other adjustments.

The discount rate used to measure the total OPEB liability was 3.77% (4.05% at previous measurement date). The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2023	$ 435,401
Changes for the Year:	
Service Cost	37,287
Interest Cost	18,043
Difference Between Expected and Actual Experience	60,958
Change of Assumptions	25,621
Benefit Payments	(32,347)
Net Change in Total OPEB Liability	109,562
Balances at December 31, 2024	$ 544,963

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the Total OPEB Liability (Continued)

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

	1% Decrease (2.77%)	Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB Liability	$ 591,588	$ 544,963	$ 502,483

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.9% decreasing over several years to an ultimate rate of 3.9% in FY2075 and later years) or 1% higher (7.9% decreasing to 3.9% over several years) than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	$ 497,526	$ 544,963	$ 584,988

For the year ended December 31, 2024, the City recognized OPEB Expense of $140,974. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ -	$ 43,640
Change of Assumptions	7,756	74,558
City Payment of Benefits Subsequent to the Measurement Date	40,645	-
Total	$ 48,401	$ 118,198

The $40,645 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 total OPEB liability in the year ended December 31, 2025.

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

Year Ending December 31,	OPEB Amount
2025	$ (25,420)
2026	(25,688)
2027	(25,658)
2028	(16,111)
2029	(17,034)
Thereafter	(531)

NOTE 13 TAX INCREMENT FINANCING

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City as authorized under Minnesota Statute §469.174. The City reaches agreements with the businesses related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. For the year ended December 31, 2024, the City paid tax increment in the amount of $171,451. No other commitments were made by the City as part of these agreements.

NOTE 14 FUND BALANCE

At December 31, 2024, the City had various fund balances restricted, or assigned through legal restriction and City Council authorization. Major fund balance appropriations at December 31, 2024 are shown on the various balance sheets as segregations of fund balance. The fund balances are as follows:

	General Fund	Other Governmental Funds	Governmental Funds Total
Nonspendable:			
Inventory	$ 51,513	$ 94,975	$ 146,488
Loans Receivable	9,323,982	-	9,323,982
Total Nonspendable	9,375,495	94,975	9,470,470
Committed:			
Donations for Fire, Well, and Park	77,083	-	77,083
Restricted:			
Lions Clubs Shelter	1,210	-	1,210
Debt Service	-	1,923,033	1,923,033
Economic Development	-	1,271,650	1,271,650
Capital Projects	-	62,481	62,481
Total Restricted	1,210	3,257,164	3,258,374
Assigned:			
Ambulance	-	2,266,482	2,266,482
Airport	131,029	-	131,029
Library	282,727	-	282,727
Pool	116,820	-	116,820
Police	4,860	-	4,860
Capital Projects	360,728	-	360,728
Dilapidated Housing Program Fund	38,515	-	38,515
Sick Pay at Retirement	194,513	-	194,513
Total Assigned	1,129,192	2,266,482	3,395,674
Unassigned	2,678,823	(16,677)	2,662,146
Total Fund Balance	$ 13,261,803	$ 5,601,944	$ 18,863,747

NOTE 15 RESTATEMENTS TO BEGINNING FUND BALANCES

Change in Fund Presentation from Major to Nonmajor

The Debt Service Fund previously met the criteria to be reported as a major governmental fund. However, effective January 1, 2024, the fund no longer met the criteria to be reported as a major fund and is reported as a nonmajor governmental fund for the fiscal year ended December 31, 2024. The effect of that change to or within the City's financial reporting entity is shown in the table below:

	Debt Service Fund	Nonmajor Governmental Funds
January 1, 2024, as Previously Reported	$ 1,913,240	$ 3,399,989
Change in Fund Presentation from Major to Nonmajor	(1,913,240)	1,913,240
January 1, 2024, as Adjusted	$ -	$ 5,313,229

NOTE 16 COMMITMENTS AND CONTINGENCIES

A. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time.

B. Electric Power Purchase Agreement

Under its wholesale power agreement with Western Area Power Administration (WAPA), the city is committed to purchase a portion of its electric power and energy subject Contracted Rate of Delivery (CROD) effective through December 31, 2050, unless otherwise terminated.

Under its wholesale power agreement with the Central Minnesota Municipal Power Agency (CMMP A), its Market Participant Agreement and Agreement for Additional Services, the city is committed to purchase the remaining portion of its electric power and energy through CMMP A unless otherwise terminated.

C. Construction Contract Commitments

The City had a commitment under construction contracts still in process at the end of the year. The combined total of remaining commitment was $100,000 at December 31, 2024.

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Malpractice Claims

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

E. Health Care Compliance

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

NOTE 17 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 44% for the year ended 2024, and revenue from the Medicaid programs accounted for approximately 11% for the year ended 2024, 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 2024 net patient service revenue increased approximately $249,000 due to removal of allowance previously estimated that are no longer considered necessary as a result of changes in estimates and years that are no longer subject to audits, reviews, and investigations.

NOTE 17 NET PATIENT SERVICE REVENUE AND RECEIVABLES (CONTINUED)

Other

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

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

	2024
Gross Patient Service Revenue	$ 54,787,219
Adjustments and Discounts:	
Medicare	(15,970,220)
Medicaid	(5,138,756)
Other	(4,507,815)
Provisions for Bad Debt	(526,791)
Total Adjustments and Discounts	(26,143,582)
Net Patient Service Revenue	$ 28,643,637

Patient accounts receivable reported as current assets by the Hospital at April 30, 2024 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	$ 2,287,011
Receivable from Medicare	3,569,619
Receivable from Medicaid	874,932
Total Patient Accounts Receivable	6,731,562
Less: Allowance for Uncollectible Amounts	(457,000)
Net Patient Accounts Receivable	$ 6,274,562

NOTE 18 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 $347,178 for the year ended April 30, 2024.

The Hospital also purchases certain services, supplies and other items through Sanford's network. Amount due to Sanford was $112,000 at April 30, 2024.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINDOM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
General Property Taxes	$ 904,849	$ 904,849	$ 1,281,709	$ 376,860
Other Taxes	50,000	50,000	52,717	2,717
Licenses and Permits	64,270	81,770	96,982	15,212
Intergovernmental	1,974,232	7,495,732	8,992,342	1,496,610
Special Assessments	-	-	13,004	13,004
Charges for Services	196,500	196,850	316,793	119,943
Fines and Forfeits	6,500	6,500	27,377	20,877
Investment Earnings	100,000	100,000	227,371	127,371
Refunds/Reimbursements	130,000	130,000	123,585	(6,415)
Grants and Contributions	-	8,500	10,623	2,123
Miscellaneous	6,000	5,200	8,834	3,634
Total Revenues	3,432,351	8,979,401	11,151,337	2,171,936
EXPENDITURES				
General Government:				
Mayor and Council:	134,465	134,465	115,841	18,624
Financial Administration	158,372	173,097	168,652	4,445
Elections	9,000	9,000	8,828	172
Building and Zoning	180,861	180,861	250,039	(69,178)
City Hall	40,922	40,922	39,813	1,109
Total General Government	523,620	538,345	583,173	(44,828)
Public Safety:				
Police Protection	1,657,666	1,657,666	1,441,665	216,001
Fire Protection	219,174	219,174	241,274	(22,100)
Civil Defense	6,941	6,941	9,182	(2,241)
Animal Control	2,200	2,200	1,897	303
Total Public Safety	1,885,981	1,885,981	1,694,018	191,963
Public Works:				
Street Department	641,495	641,495	582,841	58,654
Sanitation	29,000	29,000	16,787	12,213
Airport	-	-	103,187	(103,187)
Total Public Works	670,495	670,495	702,815	(32,320)
Culture and Recreation:				
Parks	271,455	271,455	459,512	(188,057)
Library	-	-	207,131	(207,131)
Pool	-	-	64,447	(64,447)
Total Culture and Recreation	271,455	271,455	731,090	(459,635)
Capital Outlay	319,800	498,800	1,294,088	(795,288)
Leases:				
Principal	-	-	55,254	(55,254)
Interest and Fiscal Charges	-	-	5,716	(5,716)
Total Debt Service	-	-	60,970	(60,970)
Total Expenditures	3,671,351	3,865,076	5,066,154	(1,201,078)
REVENUES OVER (UNDER) EXPENDITURES	(239,000)	5,114,325	6,085,183	970,858
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	109,039	42,719
Proceeds from Sale of Capital Assets	-	-	42,719	42,719
Transfer In	245,000	245,000	249,500	4,500
Transfer Out	-	-	(72,084)	(72,084)
Total Other Financing Sources (Uses)	245,000	245,000	329,174	17,854
NET CHANGE IN FUND BALANCE	$ 6,000	$ 5,359,325	6,414,357	$ 988,712
Fund Balance - Beginning of Year			6,847,446	
FUND BALANCE - END OF YEAR			$ 13,261,803	

NOTE 1 BUDGETS

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30, the Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to December 31, the budget is legally enacted through passage of a resolution.
3. The Finance Director is authorized to transfer budgeted amounts within any department budget; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.

CITY OF WINDOM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024

	Measurement Date December 31, 2023	Measurement Date December 31, 2022	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017
Total OPEB Liability							
Service Cost	$ 37,287	$ 59,333	$ 70,660	$ 64,974	$ 43,988	$ 46,569	$ 25,246
Interest Cost	18,043	12,096	15,714	20,615	18,936	18,144	14,108
Difference Between Expected and Actual Experience	60,958	(32,592)	(22,287)	(47,998)	106,848	-	-
Changes of Assumptions	25,621	(174,324)	(95,472)	14,605	41,593	(49,273)	14,751
Benefit Payments	(32,347)	(28,649)	(42,362)	(41,304)	(30,747)	(42,141)	(29,935)
Adjustments	-	-	-	-	-	124,283	-
Net Change in Total OPEB Liability	109,562	(164,136)	(73,747)	10,892	180,618	97,582	24,170
Total OPEB Liability - Beginning	435,401	599,537	673,284	662,392	481,774	384,192	360,022
Total OPEB Liability - Ending (a)	$ 544,963	$ 435,401	$ 599,537	$ 673,284	$ 662,392	$ 481,774	$ 384,192
Covered-Employee Payroll	$ 13,800,425	$ 12,013,299	$ 12,323,566	$ 11,621,132	$ 2,995,324	$ 2,915,407	$ 9,238,069
Agency's OPEB Liability as a Percentage of Covered Payroll	3.95%	3.62%	4.86%	5.79%	22.11%	16.53%	4.16%

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

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

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

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City - GERF										
City's Proportion of the Net Pension Liability (Asset)	0.0347%	0.0344%	0.0341%	0.0373%	0.0353%	0.0351%	0.0359%	0.0366%	0.0370%	0.0450%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 7,494,479	$ 10,889,085	$ 7,342,707	$ 7,876,115	$ 7,805,506	$ 7,499,285	$ 8,439,358	$ 10,074,407	$ 8,243,742	$ 2,098,920
State's Proportionate Share of the Net Pension Liability Associated with the City of Windom	$ 204,292	$ 315,979	$ 342,202	$ 190,326	$ 242,109	$ 242,689	$ 146,437	$ 29,380	$ 39,236	N/A
City's Covered Payroll	$ 11,745,147	$ 11,410,055	$ 11,015,714	$ 10,545,412	$ 10,039,460	$ 9,818,915	$ 9,238,069	$ 8,685,475	$ 8,309,488	$ 2,378,626
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	63.81%	95.43%	66.66%	74.69%	77.75%	76.38%	91.35%	115.99%	99.21%	88.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.67%	87.00%	79.10%	80.20%	75.90%	68.90%	68.90%	78.20%

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PEPFF										
City's Proportion of the Net Pension Liability (Asset)	0.0580%	0.0574%	0.0587%	0.0539%	0.0549%	0.0571%	0.0556%	0.0560%	0.0547%	5.5000%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 762,575	$ 991,224	$ 2,554,392	$ 416,051	$ 723,641	$ 607,890	$ 587,634	$ 756,067	$ 2,207,246	$ 624,929
State's Proportionate Share of the Net Pension Liability Associated with the City of Windom	$ 29,069	$ 39,919	$ 111,473	$ 18,697	$ 17,050	$ 242,689	$ 146,437	$ 29,380	$ 39,236	N/A
City's Covered-Employee Payroll	$ 802,644	$ 747,729	$ 737,390	$ 685,944	$ 619,078	$ 601,744	$ 585,592	$ 570,375	$ 526,951	$ 506,666
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	95.01%	132.56%	346.41%	60.65%	116.89%	101.02%	100.35%	132.56%	418.87%	138.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	86.47%	70.53%	93.66%	87.20%	89.30%	88.84%	63.90%	63.90%	63.90%

	Measurement Date December 31, 2023	Measurement Date December 31, 2022	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2016	Measurement Date December 31, 2015
Fire Relief Association										
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	$ (694,367)	$ (515,050)	$ (744,401)	$ (633,903)	$ (550,812)	$ (415,676)	$ (542,171)	$ (360,080)	$ (360,080)	$ (182,216)
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	202.42%	177.00%	201.00%	195.00%	187.98%	162.64%	163.94%	142.27%	142.27%	138.33%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City - GERF										
Contractually Required Contribution	$ 880,886	$ 850,092	$ 791,816	$ 805,763	$ 758,188	$ 754,870	$ 668,485	$ 629,920	$ 603,670	$ 597,569
Contributions in Relation to the Contractually Required Contribution	(880,886)	(850,092)	(791,816)	(805,763)	(758,188)	(754,870)	(668,485)	(629,920)	(603,670)	(597,569)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	11,745,147	$ 11,564,095	$ 10,609,154	$ 10,900,266	$ 10,109,173	10,064,933	8,913,133	8,398,933	8,048,933	7,967,587
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.35%	7.46%	7.39%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
PEPFF										
Contractually Required Contribution	$ 144,464	$ 138,954	$ 131,461	$ 132,983	$ 116,514	$ 106,463	$ 94,866	$ 92,401	$ 85,366	$ 82,258
Contributions in Relation to the Contractually Required Contribution	(144,464)	(138,954)	(131,461)	(132,983)	(116,514)	(106,463)	(94,866)	(92,401)	(85,366)	(82,258)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	816,181	785,051	741,718	751,316	658,271	628,100	585,592	570,375	526,951	507,766
Contributions as a Percentage of Covered Employee Payroll	17.70%	17.70%	17.72%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%
Fire Relief Association										
Statutorily Required Contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	-	-	-	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

	December 31, 2023 Measurement Date	December 31, 2022 Measurement Date	December 31, 2021 Measurement Date	December 31, 2020 Measurement Date	December 31, 2019 Measurement Date	December 31, 2018 Measurement Date	December 31, 2017 Measurement Date	December 31, 2016 Measurement Date	December 31, 2015 Measurement Date
Total Pension Liability									
Service Cost	$ 40,939	$ 45,130	$ 41,688	$ 39,234	$ 36,666	$ 32,592	$ 29,294	$ 30,656	$ 28,015
Interest	33,755	39,763	39,287	41,582	37,162	48,213	57,717	53,502	50,008
Change in Assumptions	-	16,692	-	17,815	(5,407)	14,428	2,231	2,182	-
Benefit Payments	(61,750)	(180,150)	(51,500)	-	(161,683)	(277,650)	(52,250)	(53,800)	-
Differences Between Expected and Actual Experience	-	7,124	-	(57,405)	-	(2,014)	(62,246)	-	-
Changes of Benefit Terms	-	-	39,696	-	55,799	-	21,337	-	-
Net Change in Total Pension Liability	12,944	(71,441)	69,171	41,226	(37,463)	(184,431)	(3,917)	32,540	78,023
Total Pension Liability - Beginning	665,041	736,482	667,311	626,085	663,548	847,979	851,896	819,356	741,333
Total Pension Liability - Ending (a)	677,985	665,041	736,482	667,311	626,085	663,548	847,979	851,896	819,356
Plan Fiduciary Net Position									
Municipal Contributions	-	-	-	-	-	-	-	-	5,000
State Contributions	60,822	56,390	53,869	49,930	50,148	52,244	49,576	49,132	49,942
Donations and Other Income	-	-	-	-	-	39,953	-	-	-
Net Investment Income	211,980	(175,707)	180,650	75,587	214,558	(121,123)	187,248	87,136	(34,324)
Benefit Payments	(61,750)	(180,150)	(51,500)	-	(161,683)	(277,650)	(58,650)	(57,688)	(1,051)
Administrative Expenses	(18,791)	(1,325)	(2,350)	(1,200)	(5,350)	(4,350)	-	-	-
Other Changes	-	-	(1,000)	-	-	-	-	-	-
Net Change in Fiduciary Net Position	192,261	(300,792)	179,669	124,317	97,673	(310,926)	178,174	78,580	19,567
Fiduciary Net Position - Beginning	1,180,091	1,480,883	1,301,214	1,176,897	1,079,224	1,390,150	1,211,976	1,133,396	1,113,829
Fiduciary Net Position - Ending (b)	1,372,352	1,180,091	1,480,883	1,301,214	1,176,897	1,079,224	1,390,150	1,211,976	1,133,396
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	$ (694,367)	$ (515,050)	$ (744,401)	$ (633,903)	$ (550,812)	$ (415,676)	$ (542,171)	$ (360,080)	$ (314,040)
Fiduciary Net Position as a Percentage of the Total Pension Liability	202.42%	177.45%	201.08%	194.99%	187.98%	162.64%	163.94%	142.27%	138.33%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

A. General Employees Fund

2024

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 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, noncompounding 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

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

2021

- The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

A. General Employees Fund (Continued)

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

A. General Employees Fund (Continued)

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2017

Changes in Actuarial Assumptions:

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

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

A. General Employees Fund (Continued)

2017 (Continued)

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

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

2015

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

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

B. Police and Fire Fund

2024

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

- The State contribution of $9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.

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

B. Police and Fire Fund (Continued)

2024 (Continued)

- The additional $9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

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, noncompounding 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

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5 percent to 5.4 percent.

2021

- 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 MP-2020.

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

B. Police and Fire Fund (Continued)

2021 (Continued)

- 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.

2020

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

2019

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

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% 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% funding, or July 1, 2048, if earlier.

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

B. Police and Fire Fund (Continued)

2017

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

2016

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

2015

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

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

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

2023

- The discount rate was changed from 4.05% to 3.77% based on updated 20-year municipal bond rates.
- Medical per capita claims costs were updated to reflect recent experience.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 PERA Police & Fire Plan valuations to the rates used in the 7/1/2023 valuations.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2022

- 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.

2021

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 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

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

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

OPEB Changes (Continued)

2019

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

2018

- The discount rate was changed to 3.71%
- The medical trend rate was changed from 6.9% decreasing to 4.40% in 2075, to 6.30% decreasing to 4.40% in 2075.

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

2023

- There were no changes made to actuarial assumptions during 2023.

2022

- 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 the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption increased from 2.25% to 2.50%.

2021

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

2020

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

2019

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

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

Windom Firefighters Relief Association Plan Changes (Continued)

2018

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

2017

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

2016

- No changes.

2015

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

SUPPLEMENTARY INFORMATION

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2024

	Special Revenue Fund		Capital Projects Funds			
	Economic Development Fund	Ambulance Fund	Capital Project Fund	2025 Street Capital Project Fund	Debt Service Fund	Total
ASSETS						
Cash and Investments	$ 1,687,246	$ 2,085,884	$ 62,481	$ -	$ 1,938,841	$ 5,774,452
Accounts Receivable	5,225	214,936	-	-	-	220,161
Loans Receivable, Net of Allowance	206,144	-	-	-	-	206,144
Land Held for Resale	94,975	-	-	-	-	94,975
Special Assessments Receivable	-	-	-	-	1,145,583	1,145,583
Total Assets	$ 1,993,590	$ 2,300,820	$ 62,481	$ -	$ 3,084,424	$ 7,441,315
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES						
Accounts and Contracts Payable	$ 306	$ 24,186	$ -	$ -	$ -	$ 24,492
Other Accrued Liabilities	2,934	10,152	-	-	-	13,086
Due to Other Funds	-	-	-	16,677	20,717	37,394
Advance from Other Funds	489,027	-	-	-	-	489,027
Unearned Revenue	134,698	-	-	-	-	134,698
Total Liabilities	626,965	34,338	-	16,677	20,717	698,697
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	1,140,674	1,140,674
FUND BALANCE (DEFICIT)						
Nonspendable	94,975	-		-	-	94,975
Restricted	1,271,650	-	62,481	-	1,923,033	3,257,164
Assigned	-	2,266,482	-	-	-	2,266,482
Unassigned	-	-	-	(16,677)	-	(16,677)
Total Fund Balance (Deficit)	1,366,625	2,266,482	62,481	(16,677)	1,923,033	5,601,944
Total Liabilities and Fund Balance	$ 1,993,590	$ 2,300,820	$ 62,481	$ -	$ 3,084,424	$ 7,441,315

CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2024

	Special Revenue Fund		Capital Project Funds			
	Economic Development Fund	Ambulance Fund	Capital Project Fund	2025 Street Capital Project Fund	Debt Service Fund	Total
REVENUE						
General Property Taxes	$ 178,966	$ -	$ 58,190	$ -	$ 442,207	$ 679,363
Tax Increments	472,642	-	-	-	-	472,642
Special Assessments	4,618	-	-	-	198,405	203,023
Intergovernmental	424,905	-	-	-	-	424,905
Charges for Services	-	255,868	-	-	-	255,868
Interest Income	10,608	84,310	-	-	-	94,918
Refunds and Reimbursements	-	16,598	-	-	-	16,598
Grants and Contributions	-	148,953	-	-	-	148,953
Miscellaneous	68,833	-	10,000	-	-	78,833
Total Revenue	1,160,572	505,729	68,190	-	640,612	2,375,103
EXPENDITURES						
Current:						
Public Safety	-	629,512	-	-	-	629,512
Public Works	-	-	-	-	8,752	8,752
Economic Development	593,234	-	-	-	-	593,234
Capital Outlay:						
Public Works	-	-	-	5,717	-	5,717
Debt Service:						
Principal	150,000	-	95,000	-	560,000	805,000
Interest and Fiscal Charges	11,916	-	25,190	-	177,215	214,321
Total Expenditures	755,150	629,512	120,190	5,717	745,967	2,256,536
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	405,422	(123,783)	(52,000)	(5,717)	(105,355)	118,567
OTHER FINANCING SOURCES (USES)						
Transfer In	-	-	55,000	-	115,148	170,148
Total Other Financing Sources (Uses)	-	-	55,000	-	115,148	170,148
NET CHANGE IN FUND BALANCE	405,422	(123,783)	3,000	(5,717)	9,793	288,715
Fund Balance (Deficit) - Beginning of Year, as Previously Reported	961,203	2,390,265	59,481	(10,960)	-	3,399,989
Adjustment, Change in Major Funds	-	-	-	-	1,913,240	1,913,240
Fund Balance (Deficit) Beginning of Year, as Adjusted	961,203	2,390,265	59,481	(10,960)	1,913,240	5,313,229
FUND BALANCE (DEFICIT) - END OF YEAR	$ 1,366,625	$ 2,266,482	$ 62,481	$ (16,677)	$ 1,923,033	$ 5,601,944

CITY OF WINDOM, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND BY BOND ISSUE
DECEMBER 31, 2024

	2020 Street Improvement Bond Fund	2017 Street Improvement Bond Fund	2013 Street Improvement Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Total
ASSETS							
Cash and Investments	$ 886,548	$ 599,481	$ 428,930	$ 456	$ 23,426	$ -	$ 1,938,841
Special Assessments Receivable	627,960	264,736	239,612	-	-	13,275	1,145,583
Total Assets	$ 1,514,508	$ 864,217	$ 668,542	$ 456	$ 23,426	$ 13,275	$ 3,084,424
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)							
LIABILITIES							
Due to Other Funds	$ -	$ -	$ -	$ -	$ -	$ 20,717	$ 20,717
Total Liabilities	-	-	-	-	-	20,717	20,717
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	627,960	264,736	239,612	-	-	8,366	1,140,674
Total Deferred Inflows of Resources	627,960	264,736	239,612	-	-	8,366	1,140,674
FUND BALANCE (DEFICIT)							
Restricted	886,548	599,481	428,930	456	23,426	(15,808)	1,923,033
Total Fund Balance (Deficit)	886,548	599,481	428,930	456	23,426	(15,808)	1,923,033
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,514,508	$ 864,217	$ 668,542	$ 456	$ 23,426	$ 13,275	$ 3,084,424

CITY OF WINDOM, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2024

	2020 Street Improvement Bond Fund	2017 Street Improvement Bond Fund	2013 Street Improvement Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Total
REVENUE							
General Property Taxes	$ 161,664	$ 88,875	$ 102,387	$ -	$ 84,372	$ 4,909	$ 442,207
Intergovernmental Special Assessments	96,702	40,758	67,664	456	12,325	(19,500)	198,405
Total Revenue	258,366	129,633	170,051	456	96,697	(14,591)	640,612
EXPENDITURES							
Current:							
Public Works	6,500	1,007	475	-	770	-	8,752
Debt Service:							
Principal	160,000	135,000	140,000	-	125,000	-	560,000
Interest and Fiscal Charges	79,925	70,870	22,670	-	3,750	-	177,215
Total Expenditures	246,425	206,877	163,145	-	129,520	-	745,967
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	11,941	(77,244)	6,906	456	(32,823)	(14,591)	(105,355)
OTHER FINANCING SOURCES (USES)							
Transfer In	-	77,810	-	-	37,338	-	115,148
Total Other Financing Sources (Uses)	-	77,810	-	-	37,338	-	115,148
NET CHANGE IN FUND BALANCE	11,941	566	6,906	456	4,515	(14,591)	9,793
Fund Balance (Deficit) - Beginning of Year	874,607	598,915	422,024	-	18,911	(1,217)	1,913,240
FUND BALANCE (DEFICIT) - END OF YEAR	$ 886,548	$ 599,481	$ 428,930	$ 456	$ 23,426	$ (15,808)	$ 1,923,033

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 2,437,362	$ 253,145	$ 92,302	$ 647,397	$ 238,657	$ 3,668,863
Accounts Receivable, Net of Allowance	37,570	18,786	3,225	150	603	60,334
Special Assessments Receivable	27,135	-	-	-	-	27,135
Inventories	53,545	310,950	-	-	-	364,495
Total Current Assets	2,555,612	582,881	95,527	647,547	239,260	4,120,827
LONG-TERM ASSETS						
Capital Assets:						
Land, Buildings, Infrastructure, and Improvements	9,078,147	1,302,931	2,796,516	2,090,799	1,123,288	16,391,681
Equipment	4,515,603	352,104	332,135	361,284	-	5,561,126
Total Capital Assets	13,593,750	1,655,035	3,128,651	2,452,083	1,123,288	21,952,807
Less: Accumulated Depreciation	(9,061,269)	(507,305)	(1,706,104)	(1,563,733)	(706,553)	(13,544,964)
Net Capital Assets	4,532,481	1,147,730	1,422,547	888,350	416,735	8,407,843
Total Assets	7,088,093	1,730,611	1,518,074	1,535,897	655,995	12,528,670
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	22,310	20,305	10,404	13,004	-	66,023
Other Postemployment Benefits Related	2,903	3,629	1,815	2,540	-	10,887
Total Deferred Outflows of Resources	25,213	23,934	12,219	15,544	-	76,910

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2024

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	$ 9,396	$ 35,713	$ 7,465	$ 2,745	$ -	$ 55,319
Accrued Expenses	7,511	12,580	2,753	4,259	-	27,103
Accrued Interest Payable	16,650	3,114	10,908	-	792	31,464
Current Portion Other Postemployment Benefits Liability	2,903	3,629	1,815	2,540	-	10,887
Current Portion of Leases Payable	1,161	-	-	-	-	1,161
Unearned Revenue	(154)	-	(155)	353	7,330	7,374
Current Portion of Bonds and Notes Payable	130,550	15,000	50,000	-	21,679	217,229
Total Current Liabilities	168,017	70,036	72,786	9,897	29,801	350,537
NONCURRENT LIABILITIES						
Compensated Absences - Long-Term	46,509	38,929	16,015	14,073	-	115,526
Net Pension Liability	109,795	99,925	51,203	63,992	-	324,915
Other Postemployment Benefits Liability	31,016	38,770	19,384	27,139	-	116,309
Bonds Payable - Long-Term	1,601,816	548,483	787,655	-	650,367	3,588,321
Leases Payable - Long-Term	3,776	-	-	-	-	3,776
Total Noncurrent Liabilities	1,792,912	726,107	874,257	105,204	650,367	4,148,847
Total Liabilities	1,960,929	796,143	947,043	115,101	680,168	4,499,384
DEFERRED INFLOWS OF RESOURCES						
Pension Related	77,251	70,307	36,026	45,026	-	228,610
NET POSITION						
Net Investment in Capital Assets	2,795,178	584,247	584,892	888,350	(255,311)	4,597,356
Unrestricted	2,279,948	303,848	(37,668)	502,964	231,138	3,280,230
Total Net Position	$ 5,075,126	$ 888,095	$ 547,224	$ 1,391,314	$ (24,173)	$ 7,877,586

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total
OPERATING REVENUE						
Sales	$ -	$ 2,237,978	$ -	$ -	$ -	$ 2,237,978
Costs of Goods Sold	-	(1,605,854)	-	-	-	(1,605,854)
Charges for Materials and Labor	1,168,226	-	-	-	-	1,168,226
Facility Use/Other Revenue	425	-	109,406	130,160	106,068	346,059
Total Gross Profit and Operating Revenues	1,168,651	632,124	109,406	130,160	106,068	2,146,409
OPERATING EXPENSES						
Personal Services	336,447	331,909	139,105	243,747	-	1,051,208
Administration and General	485,855	189,065	-	-	-	674,920
Supplies, Repairs, Services, and Rents	-	-	196,202	103,846	53,309	353,357
Depreciation and Amortization	295,694	31,055	86,714	64,372	28,082	505,917
Other Operating Expense	20,647	-	-	-	-	20,647
Total Operating Expenses	1,138,643	552,029	422,021	411,965	81,391	2,606,049
OPERATING INCOME (LOSS)	30,008	80,095	(312,615)	(281,805)	24,677	(459,640)
OTHER INCOME (EXPENSE)						
Interest Income	86,046	26,222	5,331	18,348	-	135,947
Interest Expense and Bond Issue Costs	(3,711)	(18,818)	1,214	-	(4,908)	(26,223)
Taxes and Special Assessments	(14,996)	-	296,092	236,694	-	517,790
	67,339	7,404	302,637	255,042	(4,908)	627,514
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	97,347	87,499	(9,978)	(26,763)	19,769	167,874
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers In	-	-	72,084	-	-	72,084
Transfers Out	(57,674)	(100,000)	-	-	-	(157,674)
Capital Contributions	-	-	-	500	-	500
Total Transfers and Capital Contributions	(57,674)	(100,000)	72,084	500	-	(85,090)
CHANGE IN NET POSITION	39,673	(12,501)	62,106	(26,263)	19,769	82,784
Net Position - Beginning of Year	5,035,453	900,596	485,118	1,417,577	(43,942)	7,794,802
NET POSITION - END OF YEAR	$ 5,075,126	$ 888,095	$ 547,224	$ 1,391,314	$ (24,173)	$ 7,877,586

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Service Users	$ 1,295,390	$ 612,981	$ 108,101	$ 127,676	$ 105,968	$ 2,250,116
Cash Paid to Suppliers	(540,892)	(304,109)	(213,443)	(109,950)	(53,309)	(1,221,703)
Cash Paid to Employees	(343,005)	(318,224)	(153,450)	(232,292)	-	(1,046,971)
Net Cash Provided (Used) by Operating Activities	411,493	(9,352)	(258,792)	(214,566)	52,659	(18,558)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	72,084	-	-	72,084
Transfers Out	(57,674)	(100,000)	-	-	-	(157,674)
Property Tax Revenues	(14,996)	-	296,092	236,694	-	517,790
Net Cash Provided (Used) by Noncapital Financing Activities	(72,670)	(100,000)	368,176	236,694	-	432,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and Construction of Capital Assets	(2,280)	(639,877)	-	(32,335)	-	(674,492)
Interest Paid on Long-Term Debt	(41,824)	(17,188)	(27,084)	-	(1,609)	(87,705)
Principal Payments on Lease Obligation	(95)	-	-	-	-	(95)
Principal Payments on Long-Term Debt	(124,900)	-	(45,000)	-	(21,510)	(191,410)
Net Cash Used by Capital and Related Financing Activities	(169,099)	(657,065)	(72,084)	(32,335)	(23,119)	(953,702)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Income	86,046	26,222	5,331	18,348	-	135,947
Net Cash Provided by Investing Activities	86,046	26,222	5,331	18,348	-	135,947
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	255,770	(740,195)	42,631	8,141	29,540	(404,113)
Cash and Cash Equivalents - Beginning of Year	2,181,592	993,340	49,671	639,256	209,117	4,072,976
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,437,362	$ 253,145	$ 92,302	$ 647,397	$ 238,657	$ 3,668,863

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	$ 30,008	$ 80,095	$ (312,615)	$ (281,805)	$ 24,677	$ (459,640)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	295,694	31,055	86,714	64,372	28,082	505,917
Increase in Deferred Outflows - Pension Related	30,705	28,311	15,743	14,883	-	89,642
(Increase) in Net Pension Liability	(76,188)	(69,505)	(40,458)	(31,468)	-	(217,619)
(Increase) in Deferred Inflows - Pension Related	5,170	4,642	502	8,029	-	18,343
Increase in Deferred Outflows - OPEB Related	(899)	(2,291)	5,298	(536)	-	1,572
(Increase) in Total OPEB Liability	10,105	26,498	(477)	5,865	-	41,991
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	128,703	(15,025)	(1,305)	4,066	(100)	116,339
(Increase) Decrease in Prepaid Items	945	-	945	-	-	1,890
(Increase) Decrease in Inventory	3,200	(7,610)	-	-	-	(4,410)
Increase (Decrease) in Accounts and Contracts Payable	(14,939)	(95,089)	1,206	(2,877)	-	(111,699)
Increase (Decrease) in Accrued Expenses	7,511	12,580	788	4,259	-	25,138
Increase (Decrease) in Unearned Revenue	(1,964)	(4,118)	-	(6,550)	-	(12,632)
Increase (Decrease) in Accrued Compensated Absences	(6,558)	1,105	(15,133)	7,196	-	(13,390)
Net Cash Provided (Used) by Operating Activities	$ 411,493	$ (9,352)	$ (258,792)	$ (214,566)	$ 52,659	$ (18,558)

OTHER REQUIRED REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 22, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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

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*.

City of Windom, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
July 22, 2025

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota (the City), as of December 31, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2025.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Windom, Minnesota failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing of the *Minnesota Legal Compliance Audit Guide for Cities,* promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Windom, Minnesota's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
July 22, 2025

Part I: Findings Related to the Basic Financial Statements

FINDING: 2024-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

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

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

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

Context: The City has a limited number of staff.

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

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

Repeat Finding: The finding was identified in the prior year. See 2023-002.

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

View of Responsible Officials: There is no disagreement with the finding. The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.

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

FINDING: 2024-002 PROPOSED ADJUSTING JOURNAL ENTRIES

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

Condition: The audit firm proposed and the City posted to its general ledger journal entries to record year-end account balances related to cash, wages, bonds payable, leases, accounts receivable, bond premiums, pensions, compensated absences and OPEB.

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

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

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

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

Repeat Finding: The finding was identified in the prior year. See 2023-001.

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

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

Part II: Minnesota Legal Compliance Findings

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