

City of Windom, Minnesota

Audited Financial Statements

December 31, 2022

**SCHLENNER
WENNER & Co.**
CPAs

**CITY OF WINDOM, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF WINDOM, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CITY COUNCIL

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

CITY OFFICIALS

Steven Nasby	City Administrator
Cheryl Ulferts	Finance Director

**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Windom, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota (the City), as of and for the year ended December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota, as of December 31, 2022, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Windom Area Health Fund, which is both a major fund and 40.8 percent, 44.7 percent, and 63.3 percent, respectively, of the assets, net position, and revenues of the business-type activities. Additionally, we did not audit the Windom Area Health Foundation, which comprises the entirety of the aggregate discreetly presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the both the Windom Area Health Fund and Windom Area Health Foundation, are based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1.H. to the financial statements, during the current fiscal year the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Windom's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, and schedule of indebtedness, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023 on our consideration of the City of Windom's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Windom's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windom's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co." in dark ink.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

July 14, 2023

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Our discussion and analysis of the City of Windom's financial performance provides an overview of the City's financial activities for the year ended December 31, 2022. Please read it in conjunction with the independent auditor's report on page 4 and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Windom exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$90,932,766 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$35,462,167.
- The City's total net position increased \$10,145,986 as a result of this year's operations.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$9,004,665, which is a decrease of \$603,541 in comparison with the prior year. The overall unassigned fund balance is \$2,860,835.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$4,311,831, or 99.88% of total 2022 general fund expenditures. The City's Fund Balance policy is to maintain an unrestricted fund balance in the General Fund of an amount that is not less than 35% or more than 60% of the next year's budgeted expenditures of the General Fund.
- In the City's business-type activities, revenues increased \$6,580,368 (16.33 percent) and program expenses increased \$1,463,070 (4.25 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's departments increased \$3,720,551 (or 9.21 percent) in aggregate.
- The City's General Fund generated more revenue than budgeted of \$497,447, excluding transfers in from other funds. Expenditures were less than budgeted by \$505,669, excluding transfers to other funds. See additional details on page 70.
- As discussed in Note 1.H. in the Notes to the Basic Financial Statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, (GASB 87) during the current fiscal year. This standard changes the previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Due to the adoption of this standard, the City reported leased right-of-use assets of \$150,390 (net of accumulated amortization) and corresponding lease liabilities of \$135,236, as well as lease receivables of \$172,713 and corresponding deferred inflows of resources totaling \$170,790, at December 31, 2022. Because the overall impact of the change was not significant, no restatements to beginning net position or the comparative information in this Management's Discussion and Analysis were necessary.

USING THIS ANNUAL REPORT

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

USING THIS ANNUAL REPORT (Continued)

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE

The City's combined net position increased \$10,145,986 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 12,535,853	\$ 12,551,615	\$ 47,683,096	\$ 45,245,044	\$ 60,218,949	\$ 57,796,659
Net Capital Assets	<u>22,324,920</u>	<u>22,826,878</u>	<u>56,961,864</u>	<u>55,740,336</u>	<u>79,286,784</u>	<u>78,567,214</u>
Total Assets	34,860,773	35,378,493	104,644,960	100,985,380	139,505,733	136,363,873
Deferred Outflows of Resources	2,072,785	1,167,813	4,328,057	1,606,024	6,400,842	2,773,837
Current Liabilities	974,111	333,092	3,090,664	5,878,270	4,064,775	6,211,362
Noncurrent Liabilities	<u>14,282,761</u>	<u>12,727,253</u>	<u>31,723,572</u>	<u>36,521,827</u>	<u>46,006,333</u>	<u>49,249,080</u>
Total Liabilities	15,256,872	13,060,345	34,814,236	42,400,097	50,071,108	55,460,442
Deferred Inflows of Resources	296,468	1,584,095	4,606,233	1,306,393	4,902,701	2,890,488
Net Position:						
Net Investment in						
Capital Assets	11,846,793	11,516,525	39,223,577	34,638,069	51,070,370	46,154,594
Restricted	3,992,659	4,909,149	407,570	461,157	4,400,229	5,370,306
Unrestricted	<u>5,540,766</u>	<u>5,476,192</u>	<u>29,921,401</u>	<u>23,785,688</u>	<u>35,462,167</u>	<u>29,261,880</u>
Total Net Position	<u>\$ 21,380,218</u>	<u>\$ 21,901,866</u>	<u>\$ 69,552,548</u>	<u>\$ 58,884,914</u>	<u>\$ 90,932,766</u>	<u>\$ 80,786,780</u>

The net position of the City's governmental activities decreased by \$521,648 (2.38 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$64,574 compared to the prior year.

The net position of the City's business-type activities increased by \$10,667,634 (18.12 percent) from the prior year. Such increase can be attributed primarily to the operations of Windom Area Health, a blended component unit of the City, for which the net position individually increased \$7,985,277. However, the City's Electric Fund also experienced a substantial increase in net position in the amount of \$1,664,627 due to income generated from operations. The additional reserves being generated by this fund will be used for an impending transmission and generation project.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
REVENUE						
Fees, Charges, Fines, Other	\$ 1,741,280	\$ 1,473,934	\$ 42,614,032	\$ 38,105,097	\$ 44,355,312	\$ 39,579,031
Operating Grants and Contributions	508,408	315,160	3,266,443	1,096,558	3,774,851	1,411,718
Capital Grants and Contributions	174,697	185,449	298,360	372,242	473,057	557,691
Property Taxes	1,736,679	1,662,301	515,206	547,288	2,251,885	2,209,589
Tax Increment and Other Taxes	896,209	847,514	-	-	896,209	847,514
Intergovernmental	1,868,161	1,934,089	6,353	2,101	1,874,514	1,936,190
Investment Income	104,153	69,533	184,754	181,494	288,907	251,027
Total Revenues	7,029,587	6,487,980	46,885,148	40,304,780	53,914,735	46,792,760
PROGRAM EXPENSES						
General Government	740,045	559,335	-	-	740,045	559,335
Public Safety	2,768,188	2,380,743	-	-	2,768,188	2,380,743
Public Works	1,019,544	968,197	-	-	1,019,544	968,197
Culture and Recreation	649,056	568,516	-	-	649,056	568,516
Economic Development	2,495,411	1,101,901	-	-	2,495,411	1,101,901
Airport	312,185	136,787	-	-	312,185	136,787
Debt Service	251,054	262,523	-	-	251,054	262,523
Water	-	-	1,146,698	1,155,436	1,146,698	1,155,436
Wastewater	-	-	2,027,598	1,990,714	2,027,598	1,990,714
Electric	-	-	5,500,070	5,639,704	5,500,070	5,639,704
Liquor	-	-	2,290,206	2,171,055	2,290,206	2,171,055
Telecom	-	-	2,255,942	2,302,722	2,255,942	2,302,722
Arena	-	-	476,801	450,097	476,801	450,097
Multi-Purpose Center	-	-	411,553	356,625	411,553	356,625
River Bluff Townhomes	-	-	86,413	84,018	86,413	84,018
Windom Area Health	-	-	21,673,921	20,255,761	21,673,921	20,255,761
Total Expenses	8,235,483	5,978,002	35,869,202	34,406,132	44,104,685	40,384,134
Gain (Loss) on Disposal of Assets	295,136	(51,632)	40,800	31,471	335,936	(20,161)
Transfers	389,112	439,764	(389,112)	(439,764)	-	-
Change in Net Position	(521,648)	898,110	10,667,634	5,490,355	10,145,986	6,388,465
Net Position - Beginning of Year	21,901,866	21,003,756	58,884,914	53,394,559	80,786,780	74,398,315
Net Position - End of Year	\$ 21,380,218	\$ 21,901,866	\$ 69,552,548	\$ 58,884,914	\$ 90,932,766	\$ 80,786,780

The City's total revenues increased by \$7,121,975 (15.22 percent). The total cost of all programs and services increased by \$3,720,551 (9.21 percent). Our following analysis separately considers the operations of governmental and business-type activities.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities increased by \$541,607 (8.35 percent). The increase in revenue is primarily due to more charges for services and operating grant revenues. Total expenses increased \$2,257,481 (37.76 percent), primarily due to increased expenses for economic development. The change in expenses has been reviewed in greater detail below.

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

- Economic development net cost of services increased \$1,313,412 due to the purchase of the Cemstone property, which was subsequently transferred to a third party developer.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General Government	\$ 740,045	\$ 559,335	\$ 501,800	\$ 423,726
Public Safety	2,768,188	2,380,743	1,394,795	1,125,408
Public Works	1,019,544	968,197	927,196	886,506
Culture and Recreation	649,056	568,516	560,510	478,226
Economic Development	2,495,411	1,101,901	2,300,567	987,155
Airport	312,185	136,787	(61,336)	(131,559)
Debt Service	251,054	262,523	251,054	262,523
Totals	<u>\$ 8,235,483</u>	<u>\$ 5,978,002</u>	<u>\$ 5,874,586</u>	<u>\$ 4,031,985</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$6,580,368 (16.33 percent) and program expenses increased by \$1,463,070 (4.25 percent). The increase in revenues is due primarily to the increases in net patient service revenues and operating grants received by Windom Area Health. The increase in expenses is due largely to an increase in Windom Area Health's current year operations.

THE CITY'S FUNDS

Governmental Funds

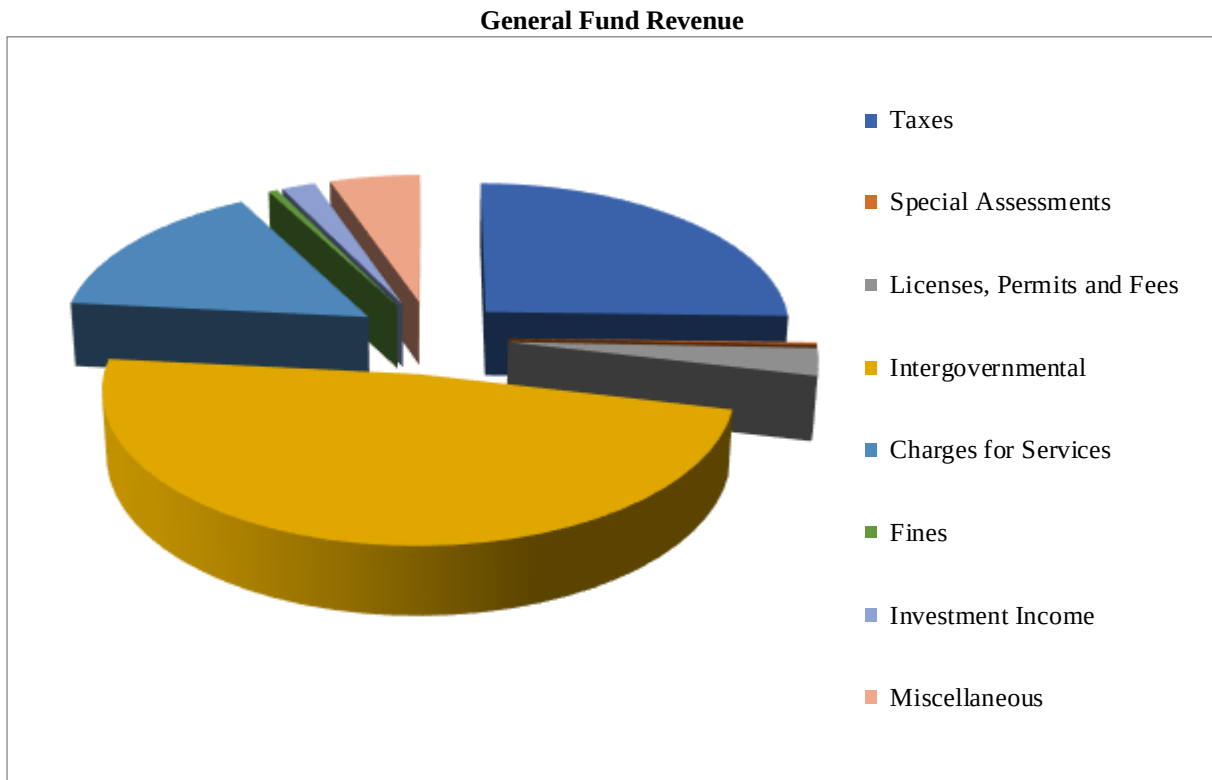
As the City completed the year, its governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of \$9,004,665. This is a decrease of \$603,541 from the prior year. Operations were comparable to the prior year, with the exception of increased economic development costs described above. Financial information specific to the governmental funds is detailed on the following page. Such information was derived from the fund financials.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
General Fund	\$ 4,443,889	\$ 4,339,693	\$ 104,196

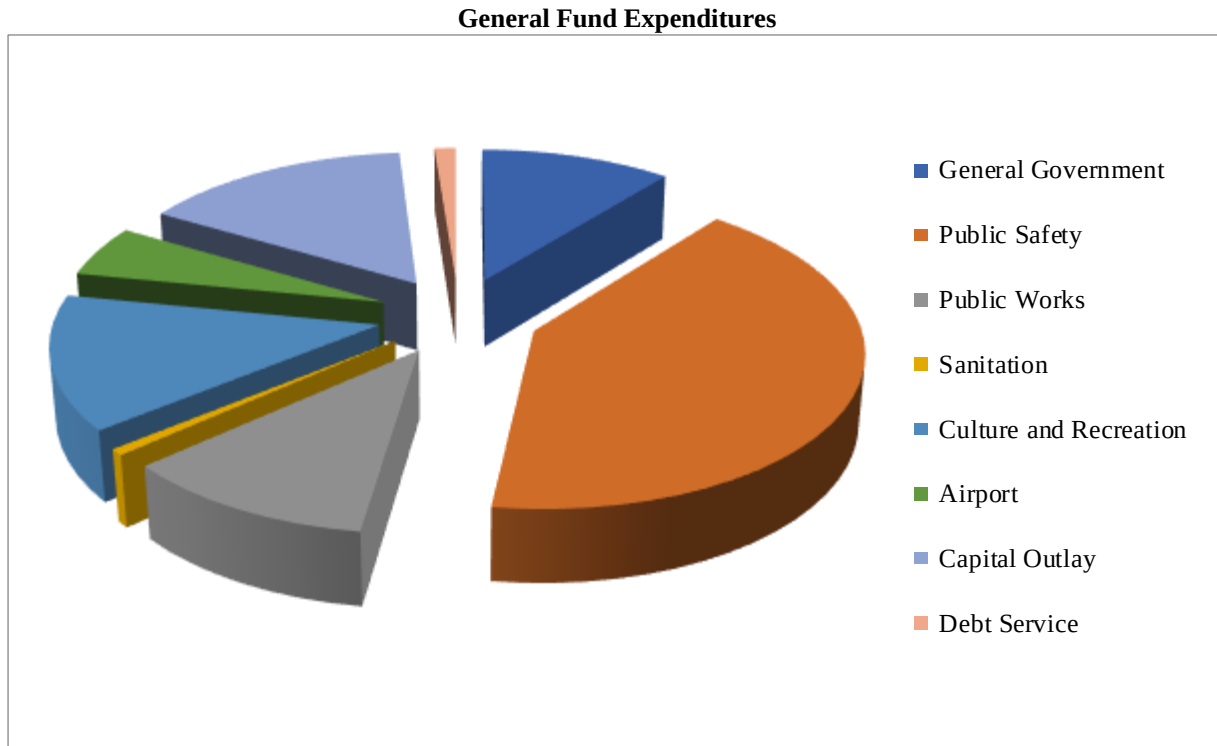
The fund balance of the General Fund increased by \$104,196 compared to 2021. Details of the General Fund's revenues and expenditures are displayed below:



The City received the majority of its funding in the General Fund in the form of grants and funding received from other governmental agencies (47.98 percent) and taxes (25.44 percent). Overall, the City's General Fund revenues were comparable to the prior year.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)



A significant portion of the City's General Fund expenditures are used for public safety (41.42 percent). Remaining expenditures are used primarily for culture and recreation (13.94 percent) and capital outlay (15.36 percent). Expenditures are comparable to the prior year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
Economic Development Fund	\$ 664,418	\$ 1,767,871	\$ (1,103,453)

The Economic Development fund balance decreased primarily due to economic development expenditures from the purchase of the Cemstone property exceeding revenues in the current year.

Debt Service Fund	\$ 1,736,511	\$ 1,605,014	\$ 131,497
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The Debt Service fund balance increased primarily due to the transfers into the fund in the current year.

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$497,447, excluding transfers in from other funds. Expenditures were less than those budgeted by \$505,669, excluding transfers to other funds. Revenues over budget in the current year are primarily due to unbudgeted revenue from Federal funding received as a result of the coronavirus pandemic. Expenditures under budget is primarily due to capital outlay costs coming in significantly under budgeted.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$69,552,548. This is an increase of \$10,667,634 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2022	2021	
Wastewater Fund	\$ 19,554,876	\$ 19,361,073	\$ 193,803

The Wastewater Fund net position increased in the current year due to an increase in charges for services and revenues exceeding expenses in the current year.

Electric Fund	\$ 17,417,969	\$ 15,753,342	\$ 1,664,627
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The Electric Fund net position increased as a result of strong financial operating results, stemming from favorable power cost rates and amounts refunded to the City through its relationship with the Central Minnesota Municipal Power Agency.

Telecom Fund	\$ (6,089,862)	\$ (6,751,257)	\$ 661,395
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The Telecom Fund has a deficit net position as a result of infrastructure debt carried by this fund. However, this fund experienced a substantial decrease in this deficit, as noted above, as a result of positive operating results during the year.

Windom Area Health Fund	\$ 31,092,446	\$ 23,107,169	\$ 7,985,277
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The Windom Area Health Fund increased substantially during 2022 as a result of net patient service revenues in excess of operating costs and revenues from grants and contributions recognized during the year.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had a net investment of \$79,286,784 in a broad range of capital assets, including machinery and equipment, buildings, improvements, roads, and water, wastewater, electric, and telecom infrastructure. This amount represents a net increase of \$719,570 (0.92 percent) from last year. More detailed information about the City's capital assets is presented in Note 2.C. to the financial statements.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 232,961	\$ 232,961	\$ 519,424	\$ 519,424	\$ 752,385	\$ 752,385
Construction In Progress	162,525	239,810	951,019	271,919	1,113,544	511,729
Buildings and Improvements	9,703,874	10,102,493	25,552,909	25,389,614	35,256,783	35,492,107
Furniture and Equipment	13,239	29,405	7,067,638	5,907,028	7,080,877	5,936,433
Machinery and Equipment	1,879,507	1,617,081	6,694,370	7,040,198	8,573,877	8,657,279
Infrastructure	10,208,335	10,605,128	16,150,593	16,612,153	26,358,928	27,217,281
Leased Vehicles and Equipment	124,479	-	25,911	-	150,390	-
Totals	<u>\$22,324,920</u>	<u>\$22,826,878</u>	<u>\$56,961,864</u>	<u>\$55,740,336</u>	<u>\$79,286,784</u>	<u>\$78,567,214</u>

Debt

At year-end, the City had \$34,265,187 in gross debt versus \$38,998,951 last year (a decrease of 12.14 percent), as shown in Table 5. See additional information regarding these issuances in Note 2.D. to the financial statements.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
G.O. Bonds	\$ 10,020,000	\$ 10,935,000	\$ 6,220,000	\$ 6,790,000	\$ 16,240,000	\$ 17,725,000
Revenue Bonds	-	-	10,688,000	11,524,000	10,688,000	11,524,000
Lease Liabilities	109,511	-	25,725	-	135,236	-
Notes Payable	-	-	7,201,951	9,749,951	7,201,951	9,749,951
Totals	<u>\$ 10,129,511</u>	<u>\$ 10,935,000</u>	<u>\$ 24,135,676</u>	<u>\$ 28,063,951</u>	<u>\$ 34,265,187</u>	<u>\$ 38,998,951</u>

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- General Fund revenue was about 8% higher than budget due to slightly higher State aid and fees charged for services was stronger than anticipated. General Fund expenses were under budget.
- Enterprise Fund revenue was 3.48% higher than budget due to more use of utilities (electric, water and telecom) and higher liquor sales. Enterprise Fund expenses were at 93% of budget.
- New workforce housing, consisting of 60 apartment units, was under construction in 2022 and plans a Summer 2023 completion.
- Preliminary plans will be submitted for the South Cottonwood Lake subdivision in 2023.
- A TIF Agreement with Apollo Development was signed for approximately 45 new high-end apartment units within the South Cottonwood Lake subdivision.
- Due to Federal Reserve Bank actions interest rates on the City's investments continue to climb and provide a higher return to supplement overall revenues.
- A new Kwik Trip was opened in late 2022 and a new Family Dollar started construction in 2022. In 2023 a new Scooters Coffee is planned for construction and the relocated Cemstone Concrete Plant in the NWIP will open.
- American Recover Plan Act funds were committed to the purchase of three new dump truck\snow plow units that will be delivered in mid-2023.
- 2022 was another record setting year for Community Center revenue.
- Rate increases for Water (2.5%), Wastewater (2.5%) and \$1\month\meter for Electric will go into effect for 2023. In 2023 a new Electric Rate study will be completed.
- Large capital projects for 2022 included re-roofing City Hall, Electric Transmission line replacement and airport beacon replacement. In 2023 the large projects which are in the Electric department will include purchase of two new 3MW generators, generator building and construction of a new truck garage.
- Good electric power purchase contracts and real-time pricing in the power market allowed the utility to be 14% under budget in the cost of purchased power.
- Property tax rates remain stable and are consistently around the mid-point when compared to peer communities.
- Valuations for properties significantly increased in 2022 and the County Auditor anticipates another large increase in 2023.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF WINDOM, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	2022			April 30, 2022
	Governmental	Business-Type		Windom Area
	Activities	Activities	Totals	Health Foundation
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 9,033,094	\$ 38,155,385	\$ 47,188,479	\$ 361,079
Restricted Cash	-	405,370	405,370	-
Property Taxes Receivable	33,172	-	33,172	-
Assessments Receivable	1,516,031	123,781	1,639,812	-
Accounts Receivable	713,161	4,996,882	5,710,043	-
Interest Receivable	-	1,504	1,504	-
Inventory	64,656	1,609,965	1,674,621	-
Prepays	-	81,877	81,877	-
Property Held for Sale	94,975	-	94,975	-
Noncurrent Assets:				
Capital Assets Not Being Depreciated/Amortized	395,486	1,470,443	1,865,929	-
Capital Assets Being Depreciated/Amortized (Net)	21,929,434	55,491,421	77,420,855	-
Loans Receivable (Net)	317,454	2,154,528	2,471,982	-
Leases Receivable	18,909	153,804	172,713	-
Net Pension Asset	744,401	-	744,401	-
TOTAL ASSETS	34,860,773	104,644,960	139,505,733	361,079
DEFERRED OUTFLOWS OF RESOURCES				
OPEB	12,899	22,954	35,853	-
Pensions	2,059,886	4,305,103	6,364,989	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,072,785	4,328,057	6,400,842	-
LIABILITIES				
Accounts Payable	180,938	1,470,437	1,651,375	-
Claims Payable	-	362,729	362,729	-
Salaries Payable	-	1,018,030	1,018,030	-
Accrued Interest Payable	101,517	98,592	200,109	-
Payroll Deductions and Employer Contributions	117,305	-	117,305	-
Other Current Liabilities	574,351	24,143	598,494	-
Unearned Revenue	-	116,733	116,733	-
Noncurrent Liabilities:				
Amount Due Within One Year	1,004,255	2,063,125	3,067,380	-
Amount Due After One Year	9,754,579	22,687,737	32,442,316	-
Net OPEB Liability	240,595	358,942	599,537	-
Net Pension Liability	3,283,332	6,613,768	9,897,100	-
TOTAL LIABILITIES	15,256,872	34,814,236	50,071,108	-
DEFERRED INFLOWS OF RESOURCES				
OPEB	-	49,979	49,979	-
Pensions	277,103	4,404,829	4,681,932	-
Leases	19,365	151,425	170,790	-
TOTAL DEFERRED INFLOWS OF RESOURCES	296,468	4,606,233	4,902,701	-
NET POSITION				
Net Investment in Capital Assets	11,846,793	39,223,577	51,070,370	-
Restricted	3,992,659	407,570	4,400,229	-
Unrestricted	5,540,766	29,921,401	35,462,167	361,079
TOTAL NET POSITION	\$ 21,380,218	\$ 69,552,548	\$ 90,932,766	\$ 361,079

**CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022							
	Program Revenues				Net (Expense) Revenue and Changes in Net Position			April 30, 2022
			Operating	Capital	Primary Government			Windom Area
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Health Foundation
Governmental Activities:								
General Government	\$ 740,045	\$ 82,729	\$ 155,516	\$ -	\$ (501,800)	\$ -	\$ (501,800)	\$ -
Public Safety	2,768,188	1,201,535	171,858	-	(1,394,795)	-	(1,394,795)	-
Public Works	991,152	10,000	-	82,348	(898,804)	-	(898,804)	-
Sanitation	28,392	-	-	-	(28,392)	-	(28,392)	-
Culture and Recreation	649,056	66,690	21,856	-	(560,510)	-	(560,510)	-
Economic Development	2,495,411	69,932	124,912	-	(2,300,567)	-	(2,300,567)	-
Airport	312,185	246,906	34,266	92,349	61,336	-	61,336	-
Debt Service	251,054	-	-	-	(251,054)	-	(251,054)	-
Total Governmental Activities	8,235,483	1,677,792	508,408	174,697	(5,874,586)	-	(5,874,586)	-
Business-Type Activities:								
Water	1,146,698	1,263,744	-	66,718	-	183,764	183,764	-
Wastewater	2,027,598	2,227,511	-	3,099	-	203,012	203,012	-
Electric	5,500,070	7,310,179	-	-	-	1,810,109	1,810,109	-
Liquor	2,290,206	2,412,277	-	-	-	122,071	122,071	-
Telecom	2,255,942	2,853,470	-	39,926	-	637,454	637,454	-
Arena	476,801	98,759	-	-	-	(378,042)	(378,042)	-
Multi-Purpose Center	411,553	179,622	-	57,417	-	(174,514)	(174,514)	-
River Bluff Townhomes	86,413	100,901	-	-	-	14,488	14,488	-
Windom Area Health	21,673,921	26,167,569	3,266,443	131,200	-	7,891,291	7,891,291	-
Total Business-Type Activities	35,869,202	42,614,032	3,266,443	298,360	-	10,309,633	10,309,633	-
Total Primary Government:	\$ 44,104,685	\$ 44,291,824	\$ 3,774,851	\$ 473,057	(5,874,586)	10,309,633	4,435,047	-
Component Unit:								
Windom Area Health Foundation	\$ 61,222	\$ 22,432	\$ 7,578	\$ -	-	-	-	(31,212)
General Revenues:								
Property Taxes					1,736,679	515,206	2,251,885	-
Tax Increment and Other Taxes					896,209	-	896,209	-
Intergovernmental					1,868,161	6,353	1,874,514	-
Investment Income					104,153	184,754	288,907	-
Gain (Loss) on Sale of Assets					295,136	40,800	335,936	-
Miscellaneous					63,488	-	63,488	-
Total General Revenues					4,963,826	747,113	5,710,939	-
Transfers					389,112	(389,112)	-	-
Total General Revenues and Transfers					5,352,938	358,001	5,710,939	-
CHANGE IN NET POSITION					(521,648)	10,667,634	10,145,986	(31,212)
NET POSITION - BEGINNING OF YEAR					21,901,866	58,884,914	80,786,780	392,291
NET POSITION - END OF YEAR					\$ 21,380,218	\$ 69,552,548	\$ 90,932,766	\$ 361,079

CITY OF WINDOM, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Economic Development Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 4,351,458	\$ 1,049,829	\$ 1,937,000	\$ 1,694,807	\$ 9,033,094
Property Taxes Receivable	33,172	-	-	-	33,172
Assessments Receivable	6,798	8,831	1,500,402	-	1,516,031
Accounts Receivable	220,531	3,088	1,435	488,107	713,161
Due from Other Funds	198,174	-	-	-	198,174
Inventory	64,656	-	-	-	64,656
Property Held for Resale	-	94,975	-	-	94,975
Loans Receivable (Net)	-	317,454	-	-	317,454
Leases Receivable	5,921	12,988	-	-	18,909
TOTAL ASSETS	\$ 4,880,710	\$ 1,487,165	\$ 3,438,837	\$ 2,182,914	\$ 11,989,626
LIABILITIES					
Accounts Payable	\$ 153,298	\$ 823	\$ 3,750	\$ 23,067	\$ 180,938
Payroll Deductions and Employer Contributions	117,305	-	-	-	117,305
Due to Other Funds	-	-	198,174	-	198,174
Other Current Liabilities	2,532	571,819	-	-	574,351
Total Liabilities	273,135	572,642	201,924	23,067	1,070,768
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	33,172	-	-	-	33,172
Special Assessments	6,798	8,831	1,500,402	-	1,516,031
Grants Receivable	117,033	-	-	-	117,033
Loans Receivable	-	228,493	-	-	228,493
Other Receivables	99	-	-	-	99
Leases	6,584	12,781	-	-	19,365
Total Deferred Inflows of Resources	163,686	250,105	1,500,402	-	1,914,193
FUND BALANCES					
Nonspendable	64,656	184,143	-	-	248,799
Restricted	67,402	480,275	1,736,511	59,481	2,343,669
Committed	81,649	-	-	-	81,649
Assigned	1,369,347	-	-	2,100,366	3,469,713
Unassigned	2,860,835	-	-	-	2,860,835
Total Fund Balances	4,443,889	664,418	1,736,511	2,159,847	9,004,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,880,710	\$ 1,487,165	\$ 3,438,837	\$ 2,182,914	\$ 11,989,626

CITY OF WINDOM, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total Fund Balances - Governmental Funds \$ 9,004,665

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

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

Capital Assets	\$ 46,645,878	
Accumulated Depreciation/Amortization	(24,320,958)	
Capital Assets (Net)		22,324,920

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

Bond Principal Payable	(10,020,000)	
Bond Premium, Net of Accumulated Amortization	(348,616)	
Lease Liability	(109,511)	
Compensated Absences	(280,707)	
		(10,758,834)

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

Net OPEB Liability	(240,595)	
Deferred Outflows - OPEB	12,899	
		(227,696)

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

Net Pension Asset	744,401	
Net Pension Liability	(3,283,332)	
Deferred Outflows - Pensions	2,059,886	
Deferred Inflows - Pensions	(277,103)	
		(756,148)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position: (101,517)

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

Property Taxes Receivable		33,172
Special Assessments Receivable		1,516,031
Grants Receivable		117,033
Loans Receivable		228,493
Other Receivables		99
		<u>99</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 21,380,218

CITY OF WINDOM, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Economic Development Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,027,507	\$ 139,631	\$ 509,991	\$ 59,573	\$ 1,736,702
Tax Increment	-	843,264	-	-	843,264
Lodging Tax	52,945	-	-	-	52,945
Special Assessments	9,428	6,987	322,001	-	338,416
Licenses, Permits, and Fees	125,411	-	-	-	125,411
Intergovernmental	2,037,768	112,413	-	20,402	2,170,583
Charges for Services	660,315	62,465	-	782,371	1,505,151
Fines	22,609	-	-	-	22,609
Interest Income:					
Investments	84,529	3,446	4,675	(997)	91,653
Loans/Leases	139	12,361	-	-	12,500
Loan Collections	-	44,856	-	-	44,856
Miscellaneous	226,590	290,817	-	11,596	529,003
TOTAL REVENUES	<u>4,247,241</u>	<u>1,516,240</u>	<u>836,667</u>	<u>872,945</u>	<u>7,473,093</u>
EXPENDITURES					
Current:					
General Government	467,502	-	576	-	468,078
Public Safety	1,788,285	-	-	549,836	2,338,121
Public Works	485,266	-	-	-	485,266
Sanitation	28,392	-	-	-	28,392
Parks and Recreation	381,141	-	-	-	381,141
Library	220,520	-	-	-	220,520
Economic Development	-	2,423,357	-	-	2,423,357
Airport	230,783	-	-	-	230,783
Capital Outlay	663,098	1,240	2,039	-	666,377
Debt Service:					
Principal	46,409	165,000	665,000	85,000	961,409
Interest and Other Charges	5,681	30,096	224,008	28,890	288,675
TOTAL EXPENDITURES	<u>4,317,077</u>	<u>2,619,693</u>	<u>891,623</u>	<u>663,726</u>	<u>8,492,119</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,836)	(1,103,453)	(54,956)	209,219	(1,019,026)
OTHER FINANCING SOURCES (USES)					
Lease Issuance	26,373	-	-	-	26,373
Transfers In	289,500	-	186,453	55,000	530,953
Transfers Out	(141,841)	-	-	-	(141,841)
TOTAL OTHER FINANCING SOURCES (USES)	<u>174,032</u>	<u>-</u>	<u>186,453</u>	<u>55,000</u>	<u>415,485</u>
NET CHANGE IN FUND BALANCES	104,196	(1,103,453)	131,497	264,219	(603,541)
FUND BALANCES - BEGINNING	<u>4,339,693</u>	<u>1,767,871</u>	<u>1,605,014</u>	<u>1,895,628</u>	<u>9,608,206</u>
FUND BALANCES - ENDING	<u>\$ 4,443,889</u>	<u>\$ 664,418</u>	<u>\$ 1,736,511</u>	<u>\$ 2,159,847</u>	<u>\$ 9,004,665</u>

CITY OF WINDOM, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (603,541)

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

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

Capital Outlay Capitalized	\$ 653,760	
Depreciation and Amortization Expense	(1,305,587)	
Gain (Loss) on Vehicle Lease Trade-Ins	<u>20,322</u>	
		(631,505)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Bond Principal Repayments	915,000	
Amortization of Bond Premium	26,737	
Lease Issuance	(26,373)	
Lease Principal Repayments	<u>46,409</u>	
		961,773

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

10,884

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

Property Taxes	(23)	
Special Revenues	(256,068)	
Grants Receivable	117,033	
Loans Receivable	(44,857)	
Other Receivables	<u>(10,072)</u>	
		(193,987)

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

Compensated Absences		(1,892)
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Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net OPEB Liability and Deferred Outflows/Inflows of Resources	47,199	
Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources	<u>(110,579)</u>	
		<u>(63,380)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (521,648)

**CITY OF WINDOM, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2022 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
ASSETS						
Current Assets						
Cash, Cash Equivalents, and Investments	\$ 3,454,646	\$ 9,089,753	\$ -	\$ 22,183,407	\$ 3,427,579	\$ 38,155,385
Restricted Cash	-	-	-	405,370	-	405,370
Accounts Receivable	225,635	826,161	41,443	3,787,290	116,353	4,996,882
Interest Receivable	-	-	-	1,504	-	1,504
Due from Other Funds	-	70,538	-	-	-	70,538
Inventory	18,620	865,973	56,927	290,365	378,080	1,609,965
Prepays	-	-	-	81,877	-	81,877
Total Current Assets	3,698,901	10,852,425	98,370	26,749,813	3,922,012	45,321,521
Noncurrent Assets						
Capital Assets Not Being Depreciated/Amortized	27,925	853,506	159,888	271,000	158,124	1,470,443
Capital Assets Being Depreciated/Amortized (Net)	23,466,827	6,726,514	1,483,058	15,692,954	8,122,068	55,491,421
Assessments Receivable	44,232	-	-	-	79,549	123,781
Loans Receivable (Net)	2,154,528	-	-	-	-	2,154,528
Leases Receivable	-	-	153,804	-	-	153,804
Total Noncurrent Assets	25,693,512	7,580,020	1,796,750	15,963,954	8,359,741	59,393,977
TOTAL ASSETS	29,392,413	18,432,445	1,895,120	42,713,767	12,281,753	104,715,498
DEFERRED OUTFLOWS OF RESOURCES						
OPEB	993	2,481	1,984	12,534	4,962	22,954
Pensions	81,792	171,141	132,281	3,685,759	234,130	4,305,103
TOTAL DEFERRED OUTFLOWS OF RESOURCES	82,785	173,622	134,265	3,698,293	239,092	4,328,057
LIABILITIES						
Current Liabilities						
Accounts Payable	41,103	343,542	103,576	816,166	166,050	1,470,437
Claims Payable	-	-	-	362,729	-	362,729
Salaries Payable	-	-	-	1,018,030	-	1,018,030
Due to Other Funds	-	-	70,538	-	-	70,538
Other Current Liabilities	-	15,626	3,727	-	4,790	24,143
Unearned Revenue	-	102,215	-	-	14,518	116,733
Accrued Interest	49,674	-	16,947	-	31,971	98,592
Debt Due Within One Year	880,550	-	715,792	245,000	221,783	2,063,125
Total Current Liabilities	971,327	461,383	910,580	2,441,925	439,112	5,224,327
Noncurrent Liabilities						
Compensated Absences Due After One Year	50,229	96,315	101,235	-	111,796	359,575
Debt Due After One Year	8,601,762	-	6,465,411	3,756,307	3,504,682	22,328,162
Net OPEB Liability	18,531	46,284	37,018	164,541	92,568	358,942
Net Pension Liability	260,019	545,407	423,520	4,641,976	742,846	6,613,768
Total Noncurrent Liabilities	8,930,541	688,006	7,027,184	8,562,824	4,451,892	29,660,447
TOTAL LIABILITIES	9,901,868	1,149,389	7,937,764	11,004,749	4,891,004	34,884,774
DEFERRED INFLOWS OF RESOURCES						
OPEB	-	-	-	49,979	-	49,979
Pensions	18,454	38,709	30,058	4,264,886	52,722	4,404,829
Leases	-	-	151,425	-	-	151,425
TOTAL DEFERRED INFLOWS OF RESOURCES	18,454	38,709	181,483	4,314,865	52,722	4,606,233
NET POSITION						
Net Investment in Capital Assets	14,012,440	7,580,020	1,114,743	11,962,647	4,553,727	39,223,577
Restricted	-	-	-	407,570	-	407,570
Unrestricted	5,542,436	9,837,949	(7,204,605)	18,722,229	3,023,392	29,921,401
TOTAL NET POSITION	<u>\$ 19,554,876</u>	<u>\$ 17,417,969</u>	<u>\$ (6,089,862)</u>	<u>\$ 31,092,446</u>	<u>\$ 7,577,119</u>	<u>\$ 69,552,548</u>

CITY OF WINDOM, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2022 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
SALES AND COST OF SALES						
Sales	\$ -	\$ -	\$ -	\$ -	\$ 2,412,277	\$ 2,412,277
Cost of Sales	-	-	-	-	(1,791,403)	(1,791,403)
Facility Use/Other Revenue	-	-	-	-	379,282	379,282
GROSS PROFIT	-	-	-	-	1,000,156	1,000,156
OPERATING REVENUES						
Charges for Services	2,227,511	7,310,179	2,853,470	26,167,569	1,263,744	39,822,473
TOTAL GROSS PROFIT AND OPERATING REVENUES	2,227,511	7,310,179	2,853,470	26,167,569	2,263,900	40,822,629
OPERATING EXPENSES						
Cost of Power / Services	-	3,984,640	831,778	-	-	4,816,418
Wages and Benefits	345,830	539,637	493,228	6,509,710	1,064,915	8,953,320
Materials and Supplies	200,234	52,389	63,551	-	162,245	478,419
Repairs and Maintenance	47,736	46,438	18,888	-	132,731	245,793
Professional Services	71,099	62,416	80,457	6,836,406	55,421	7,105,799
Licenses, Permits, and Fees	11,544	38,670	74,250	-	36,079	160,543
Insurance	31,397	155,694	32,518	-	82,211	301,820
Utilities	152,559	10,832	154,399	-	260,193	577,983
Administrative and General	-	-	-	6,718,089	-	6,718,089
Miscellaneous	52,030	17,758	26,431	-	123,828	220,047
Depreciation and Amortization	982,715	591,596	330,187	1,448,321	621,019	3,973,838
TOTAL OPERATING EXPENSES	1,895,144	5,500,070	2,105,687	21,512,526	2,538,642	33,552,069
NET OPERATING INCOME	332,367	1,810,109	747,783	4,655,043	(274,742)	7,270,560
NONOPERATING INCOME (EXPENSE)						
Taxes	-	-	-	-	515,206	515,206
Special Assessments	1,960	-	-	-	7,738	9,698
Intergovernmental	1,139	2,389	1,855	-	61,089	66,472
Investment Income	51,211	20,379	16,036	93,986	3,142	184,754
Gain (Loss) on Sale of Assets	-	32,500	8,300	-	-	40,800
Grants and Contributions	-	-	39,926	3,397,643	57,417	3,494,986
Interest and Other Charges	(132,454)	-	(150,255)	(161,395)	(81,626)	(525,730)
TOTAL NONOPERATING INCOME (EXPENSE)	(78,144)	55,268	(84,138)	3,330,234	562,966	3,786,186
CHANGE IN NET POSITION PRIOR TO TRANSFERS	254,223	1,865,377	663,645	7,985,277	288,224	11,056,746
TRANSFERS						
Operating Transfers In	-	-	-	-	73,434	73,434
Operating Transfers Out	(60,420)	(200,750)	(2,250)	-	(199,126)	(462,546)
NET TRANSFERS	(60,420)	(200,750)	(2,250)	-	(125,692)	(389,112)
CHANGE IN NET POSITION	193,803	1,664,627	661,395	7,985,277	162,532	10,667,634
NET POSITION - BEGIN. OF YEAR	19,361,073	15,753,342	(6,751,257)	23,107,169	7,414,587	58,884,914
NET POSITION - END OF YEAR	<u>\$ 19,554,876</u>	<u>\$ 17,417,969</u>	<u>\$ (6,089,862)</u>	<u>\$ 31,092,446</u>	<u>\$ 7,577,119</u>	<u>\$ 69,552,548</u>

**CITY OF WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Wastewater Fund	Electric Fund	Telecom Fund	<u>April 30, 2022</u> Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 2,225,391	\$ 7,238,085	\$ 2,877,739	\$ 23,349,367	\$ 4,043,489	\$ 39,734,071
Cash Paid to Suppliers	(564,044)	(4,481,902)	(1,260,235)	(13,971,352)	(2,630,911)	(22,908,444)
Cash Paid to Employees	(329,406)	(518,226)	(511,644)	(6,992,194)	(1,008,110)	(9,359,580)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,331,941	2,237,957	1,105,860	2,385,821	404,468	7,466,047
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Taxes and Intergovernmental	-	2,389	1,855	-	517,315	521,559
Other Receipts from Customers	-	-	45,254	1,465,797	57,417	1,568,468
Net Operating Subsidies and Transfers from (to) Other Funds	(60,420)	36,651	(239,651)	-	(125,692)	(389,112)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(60,420)	39,040	(192,542)	1,465,797	449,040	1,700,915
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Assessments and Loans Receivable	381,964	-	-	-	21,547	403,511
Intergovernmental and Other	1,139	-	-	-	58,980	60,119
Purchases of Capital Assets	(15,000)	(1,435,624)	(84,723)	(3,548,349)	(118,735)	(5,202,431)
Proceeds from Sale of Capital Assets	-	32,500	8,300	-	-	40,800
Payments on Debt Principal	(866,236)	-	(692,574)	(240,000)	(227,264)	(2,026,074)
Cash Paid for Interest	(136,878)	-	(152,649)	(158,735)	(83,267)	(531,529)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(635,011)	(1,403,124)	(921,646)	(3,947,084)	(348,739)	(7,255,604)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net Sales (Purchase) of Investments	(500,000)	(4,655,268)	(2,500)	7,533,327	(902,000)	1,473,559
Interest Income	23,569	14,720	1	113,214	10,657	162,161
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(476,431)	(4,640,548)	(2,499)	7,646,541	(891,343)	1,635,720
Net Change in Cash and Cash Equivalents	160,079	(3,766,675)	(10,827)	7,551,075	(386,574)	3,547,078
Cash and Cash Equivalents - Beginning of Year	913,982	4,949,794	(732,225)	14,116,886	2,160,077	21,408,514
Cash and Cash Equivalents - End of Year	1,074,061	1,183,119	(743,052)	21,667,961	1,773,503	24,955,592
Investments	2,380,585	7,906,634	743,052	515,446	1,654,076	13,199,793
Total Cash, Cash Equivalents, and Investments	\$ 3,454,646	\$ 9,089,753	\$ -	\$ 22,183,407	\$ 3,427,579	\$ 38,155,385

CITY OF WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Wastewater Fund	Electric Fund	Telecom Fund	April 30, 2022 Windom Area Health Fund	Nonmajor Proprietary Funds	Totals
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net Operating Income (Loss)	\$ 332,367	\$ 1,810,109	\$ 747,783	\$ 4,655,043	\$ (274,742)	\$ 7,270,560
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by						
Operating Activities:						
Depreciation and Amortization	982,715	591,596	330,187	1,448,321	621,019	3,973,838
Changes in Assets, Liabilities, and Deferrals:						
Accounts Receivable	(2,120)	(66,144)	24,269	(329,418)	(11,701)	(385,114)
Inventory	(4,685)	(119,802)	1,968	(54,586)	(5,500)	(182,605)
Prepays	-	-	-	(19,592)	-	(19,592)
Accounts Payable	7,240	(8,817)	21,808	278,406	42,104	340,741
Salaries Payable	-	-	-	5,633	-	5,633
Claims Payable	-	-	-	(621,085)	-	(621,085)
Other Current Liabilities	-	15,554	(1,739)	-	(23,404)	(9,589)
Unearned Revenue	-	(5,950)	-	(2,488,784)	(113)	(2,494,847)
Net OPEB Liability	5,041	5,813	(30,434)	30,872	(28,846)	(17,554)
Net Pension Liability	102,250	204,020	167,460	(1,641,262)	330,430	(837,102)
Deferred Outflows of Resources - OPEB	2	504	2,992	(9,360)	3,993	(1,869)
Deferred Outflows of Resources - Pensions	34,127	79,630	56,529	(2,962,069)	71,619	(2,720,164)
Deferred Inflows of Resources - OPEB	-	-	-	(10,137)	-	(10,137)
Deferred Inflows of Resources - Pensions	(128,181)	(278,586)	(207,931)	4,103,839	(330,589)	3,158,552
Compensated Absences	3,185	10,030	(7,032)	-	10,198	16,381
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,331,941</u>	<u>\$ 2,237,957</u>	<u>\$ 1,105,860</u>	<u>\$ 2,385,821</u>	<u>\$ 404,468</u>	<u>\$ 7,466,047</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.A. FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

Economic Development Authority of the City of Windom

The Economic Development Authority (EDA) of Windom is an entity legally separate from the City. The EDA provides services primarily to the City of Windom and the City Council appoints the EDA's board members. Therefore, the EDA has been reported as a blended component unit of the City. The EDA does not issue its own separate financial statements.

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

Windom Area Health

Windom Area Health (WAH or Hospital) is a 25-bed acute care hospital and is an entity legally separate from the City. The purpose of the WAH is to provide hospital services. The WAH is comprised of the primary hospital enterprise and the Windom Area Health Foundation, which is a component unit of the hospital (discussed further below).

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

Discretely Presented Component Units

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

Windom Area Health Foundation

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.A. FINANCIAL REPORTING ENTITY (Continued)

Related Organizations

Housing and Redevelopment Authority

The Housing and Redevelopment Authority of Windom, Minnesota (HRA) is an entity legally separate from the City. The HRA is responsible for administering affordable housing programs for eligible individuals and families in Windom. The City's officials are responsible for appointing members to the HRA's board of commissioners, but the City's accountability for the HRA does not extend beyond making the appointments. The HRA is therefore not considered to be a part of the City's financial reporting entity.

Other Organizations

Fire Relief Association

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

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

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

Fund Financial Statements

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

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

The City reports the following major governmental funds:

General Fund

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

Economic Development Fund

The Economic Development Fund is a special revenue fund used to account for resources and payments related to economic and community development functions. This fund accounts for the activity of the City's Economic Development Authority blended component unit.

Debt Service Fund

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

The City reports the following major proprietary funds:

Wastewater Fund

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

Electric Fund

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

Telecom Fund

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

Windom Area Health Fund

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

The City reports the following nonmajor fund types:

Special Revenue Funds

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

Capital Project Funds

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

Enterprise Funds

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

1.D. USE OF ESTIMATES

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

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

Cash and Cash Equivalents

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Cash

At April 30, 2022, restricted cash and investments of the Hospital consisted of deposits held in the form of a project and reserve fund, as required for the Revenue Hospital Bonds, Series 2014A.

Investments

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

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

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

Interfund Receivables and Payables

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

Prepays

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

Inventory

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

Property Held for Resale

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

Receivables

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Leases Receivable

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

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

Loans Receivable

Loans receivable consists of interest-bearing loans due from local businesses through its economic development fund to reimburse the City. At December 31, 2022, the remaining balance of such loans amount to \$317,454. No allowance has been considered necessary at year-end based on an assessment of each individual loan.

Additionally, the City carries a loan receivable in the Wastewater Fund in the amount of \$2,154,528 at December 31, 2022. Such loan was incurred for the purpose of receiving reimbursements from a local business to help finance improvements required for the City's wastewater treatment system. The loan carries an interest rate of one percent and is due in full by 2028.

Capital Assets

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

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

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

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Government-wide Statements

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

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

Fund Financial Statements

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The portion of vacation pay and sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

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

Long-Term Debt

The accounting treatment of long-term debt and other long-term obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Pension Asset/Liability

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

PERA

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

Deferred Outflows/Inflows of Resources

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

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

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

Equity Classifications

Government-wide Statements

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

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

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

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

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2022 consist of inventory, property held for sale, and the portions of loans and leases receivable that have not been deferred.

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

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

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

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

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

See Note 2.F. for additional disclosures.

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

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

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

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Operating Revenues and Expenses

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

Hospital Operating Revenues

Policy for Care of the Underserved

The Hospital provides care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. The Hospital believes the underserved are those persons who are unable through private resources, employer support, or public aid to provide payment for health care services or those unable to gain access to health related care because of limited resources, inadequate education, or discrimination. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges forgone for charity care were approximately \$102,000 for the year ended April 30, 2022.

Net Patient Service Revenue

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

Expenditures/Expenses

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

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

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

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

Interfund Transfers

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation in the City's Debt Service Fund. Specifically, the 2020 Street Capital Project Fund reported as a nonmajor fund in the prior year was converted to a debt service sub-fund during 2022. This sub-fund is presented on pages 92 and 93 in the column titled 2020 Street Improvement Bond Fund.

1.H. RECENTLY ISSUED ACCOUNTING STANDARDS

During the current fiscal year, the City adopted Governmental Accounting Standard Board (GASB) Statement No. 87, *Leases*. This standard changes previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Because the overall impact of the changes was not significant, no restatements to beginning net position were necessary.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

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

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

At December 31, 2022, the City's deposits, including certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance and collateral held by the City's agent in the City's name.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

Investment balances at December 31, 2022 are as follows:

Deposit/Investment	Interest Rate	Maturity	Fair Value	S & P's Credit Rating	Percent of Total
Pooled Investments:					
Minnesota Municipal Money Market Funds	2.60-4.35	<1 year	\$ 7,832,861	N/A	50.04
Non-Pooled Investments:					
U.S. Government Bonds	0.25-4.50	<1 year	1,967,909	AA+	12.56
Certificates of Deposit	0.50-4.49	<1 year	5,087,094	NR	32.48
Certificates of Deposit	0.74-3.51	1-5 years	<u>770,488</u>	NR	<u>4.92</u>
Totals			<u>\$ 15,658,352</u>		<u>100.00</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments.

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- Concentration of Credit Risk is the risk associated with the magnitude of the City's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer. At December 31, 2022, the City did not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy to address interest rate risk.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2022:

- U.S. Government Bonds of \$1,967,909 and Certificates of Deposits of \$5,857,582 are considered to be level 2 investments.

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

Deposits and Investments Summary

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

Carrying Amount of Deposits	\$ 32,296,576
Investments	<u>15,658,352</u>
Total	<u>\$ 47,954,928</u>
<i>Government-wide</i>	
Cash, Cash Equivalents, and Investments	\$ 47,188,479
Restricted Cash	405,370
<i>Discreetly Presented Component Unit</i>	
Cash, Cash Equivalents, and Investments	<u>361,079</u>
Total	<u>\$ 47,954,928</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.B. LEASE RECEIVABLES

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

Governmental Activities:

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Airport Property	\$ 7,407	\$1,625	4.75%	12/31/2026	\$ 5,921
Farm Land	19,172	\$6,743	3.25%	12/31/2024	12,988
Total Governmental Activities Lease Receivables					<u>\$ 18,909</u>

Business-Type Activities:

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Fiber Racks (2)	\$ 113,872	\$16,800	3.25%	8/31/2029	\$ 100,576
Fiber Rack	59,804	\$8,400	3.25%	1/31/2030	53,228
Total Business-Type Activities Lease Receivables					<u>\$ 153,804</u>

During the year ended December 31, 2022, the City recognized revenues from leasing activities under the arrangements above within governmental activities and business-type activities in the amount of \$7,912 and \$27,579, respectively.

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
<i>Governmental Activities:</i>					
Capital Assets not Being Depreciated or Amortized					
Land	\$ 232,961	\$ -	\$ -	\$ -	\$ 232,961
Construction In Progress	239,810	365,167	-	(442,452)	162,525
Total Capital Assets not Being Depreciated or Amortized	472,771	365,167	-	(442,452)	395,486
Capital Assets Being Depreciated and Amortized					
Buildings and Improvements	14,084,935	-	-	-	14,084,935
Furniture and Equipment	208,689	-	-	-	208,689
Machinery and Equipment	9,239,346	144,775	-	442,452	9,826,573
Infrastructure	21,836,508	117,445	-	-	21,953,953
Leased Vehicles and Equipment	-	176,242	-	-	176,242
Total Capital Assets Being Depreciated and Amortized	45,369,478	438,462	-	442,452	46,250,392
Less: Accumulated Depreciation					
Buildings and Improvements	(3,982,442)	(398,619)	-	-	(4,381,061)
Furniture and Equipment	(179,284)	(16,166)	-	-	(195,450)
Machinery and Equipment	(7,622,265)	(324,801)	-	-	(7,947,066)
Infrastructure	(11,231,380)	(514,238)	-	-	(11,745,618)
Less: Accumulated Amortization					
Leased Vehicles and Equipment	-	(51,763)	-	-	(51,763)
Total Accumulated Depreciation and Amortization	(23,015,371)	(1,305,587)	-	-	(24,320,958)
Total Capital Assets Being Depreciated and Amortized, Net	22,354,107	(867,125)	-	442,452	21,929,434
Capital Assets, Net	<u>\$ 22,826,878</u>	<u>\$ (501,958)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,324,920</u>

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

General Government	\$ 336,133
Public Safety	363,544
Public Works	480,228
Parks and Recreation	39,204
Economic Development	86,478
Total Depreciation and Amortization Expense	<u>\$ 1,305,587</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.C. CAPITAL ASSETS (Continued)

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
<i>Business-Type Activities:</i>					
Capital Assets not Being					
Depreciated or Amortized					
Land	\$ 519,424	\$ -	\$ -	\$ -	\$ 519,424
Construction In Progress	271,919	795,735	-	(116,635)	951,019
Total Capital Assets not Being					
Depreciated or Amortized	791,343	795,735	-	(116,635)	1,470,443
Capital Assets Being					
Depreciated and Amortized					
Buildings and Improvements	43,504,548	1,389,000	-	11,000	44,904,548
Furniture and Equipment	14,636,811	1,996,000	-	-	16,632,811
Machinery and Equipment	18,484,439	191,952	(80,862)	105,635	18,701,164
Infrastructure	34,051,854	829,394	-	-	34,881,248
Leased Vehicles and Equipment	-	27,299	-	-	27,299
Total Capital Assets Being					
Depreciated and Amortized	110,677,652	4,433,645	(80,862)	116,635	115,147,070
Less: Accumulated Depreciation					
Buildings and Improvements	(18,114,934)	(1,236,705)	-	-	(19,351,639)
Furniture and Equipment	(8,729,783)	(835,390)	-	-	(9,565,173)
Machinery and Equipment	(11,444,241)	(643,415)	80,862	-	(12,006,794)
Infrastructure	(17,439,701)	(1,290,954)	-	-	(18,730,655)
Less: Accumulated Amortization					
Leased Vehicles and Equipment	-	(1,388)	-	-	(1,388)
Total Accumulated					
Depreciation and Amortization	(55,728,659)	(4,007,852)	80,862	-	(59,655,649)
Total Capital Assets Being					
Depreciated and Amortized, Net	54,948,993	425,793	-	116,635	55,491,421
Capital Assets, Net	<u>\$ 55,740,336</u>	<u>\$ 1,221,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,961,864</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES

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

Debt Detail

As of December 31, 2022, the long-term debt of the financial reporting entity consists of the following:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities:</i>				
General Obligation Bonds:				
GO Refunding Bonds, Series 2012A	\$ 980,000	0.55-2.20%	2023	\$ 85,000
GO Equipment Bonds, Series 2013B	615,000	0.70-1.90%	2023	75,000
GO Improvement Bonds, Series 2017A	2,870,000	3.00-3.25%	2039	2,495,000
GO Improvement Bonds, Series 2017C (2009A Refund)	830,000	2.00%	2025	370,000
GO Improvement Bonds, Series 2018A	1,015,000	3.00-3.40%	2026	610,000
GO Improvement Bonds, Series 2020B	3,135,000	2.25-3.00%	2041	3,000,000
GO Improvement Bonds, Series 2020C	345,000	2.00-3.00	2041	330,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,600,000	1.15-2.00%	2034	1,460,000
GO Refunding Bonds, Series 2020D (2016 Lease Refund)	1,680,000	1.15-2.00%	2037	1,595,000
Total Governmental Activities - GO Bonds				10,020,000
Lease Liabilities:				
Police 2021 Equinox	\$ 13,348	3.97%	2026	\$ 10,527
Police 2022 Ford Interceptor	26,373	6.71%	2027	23,821
Police 2017 Ford Interceptor	7,271	5.00%	2023	2,981
Police 2020 Ford F150	20,970	5.00%	2025	14,876
Police 2021 Ford Interceptor	28,483	4.00%	2025	20,940
Police 2019 Ford Interceptor	15,456	7.25%	2024	8,327
Police 2019 Ford F150	29,322	3.60%	2024	17,497
Police Equipment	14,697	5.00%	2025	10,542
Total Governmental Activities - Lease Liabilities				109,511
Total Governmental Activities Debt				<u>\$ 10,129,511</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES (Continued)

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Business-Type Activities:</i>				
General Obligation Bonds:				
GO Refunding Bonds, Series 2012A	\$ 680,000	0.55-2.20%	2023	\$ 35,000
GO Improvement Bonds, Series 2017A	1,150,000	3.00-3.25%	2039	970,000
GO Equipment - Telecom Upgrade	855,000	3.00%	2027	500,000
GO Equipment Certificates, Series 2018A	1,095,000	3.00-3.40%	2038	920,000
GO Improvement Bonds, Series 2020B	1,105,000	2.25-3.00%	2041	1,060,000
GO Refunding Bonds, Series 2020D (2011A Refund)	1,805,000	1.15-2.00%	2029	1,590,000
GO Refunding Bonds, Series 2020D (2013A Refund)	1,230,000	1.15-2.00%	2034	<u>1,145,000</u>
Total Business-Type Activities - GO Bonds				6,220,000
General Obligation Revenue Bonds:				
GO Revenue Hospital Bonds, Series 2014A	5,600,000	1.00%	2034	4,035,000
Communication System Annual Appropriation Refunding Bonds, Series 2020A	7,820,000	1.95%	2032	<u>6,653,000</u>
Total Business-Type Activities Revenue Bonds				10,688,000
Notes Payable:				
River Bluff Townhomes - Bank of the West	488,847	2.01%	2031	203,312
River Bluff Townhomes - MHFA	353,305	0.00%	2031	353,305
River Bluff Townhomes - GMHF	180,000	0.00%	2031	152,076
Water Purchase - Red Rock Rural Water System	230,000	0.00%	2023	15,334
CWRF Wastewater Treatment Plant	9,624,333	1.00%	2038	<u>6,477,924</u>
Total Business-Type Activities Notes Payable				7,201,951
Lease Liabilities:				
Telecom Ford F250	27,299	7.40%	2027	<u>25,725</u>
Total Business-Type Activities Debt				<u><u>\$ 24,135,676</u></u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2022:

Type of Debt	Balance 01/01/22	Additions	Deductions	Balance 12/31/22	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 10,935,000	\$ -	\$ (915,000)	\$ 10,020,000	\$ 955,000
Unamortized Bond Premium	375,353	-	(26,737)	348,616	-
Lease Liabilities	-	155,920	(46,409)	109,511	49,255
Compensated Absences	278,815	-	1,892	280,707	-
Total	<u>\$ 11,589,168</u>	<u>\$ 155,920</u>	<u>\$ (986,254)</u>	<u>\$ 10,758,834</u>	<u>\$ 1,004,255</u>
Business-Type Activities:					
General Obligation Bonds	\$ 6,790,000	\$ -	\$ (570,000)	\$ 6,220,000	\$ 585,000
General Obligation Revenue Bonds	11,524,000	-	(836,000)	10,688,000	856,000
Unamortized Bond Premium	345,442	-	(36,455)	308,987	-
Unamortized Bond Discount	(58,126)	-	4,750	(53,376)	-
Notes Payable - Direct Borrowing	9,749,951	2,997	(2,550,997)	7,201,951	617,333
Lease Liabilities	-	27,299	(1,574)	25,725	4,792
Compensated Absences	343,194	-	16,381	359,575	-
Total	<u>\$ 28,694,461</u>	<u>\$ 30,296</u>	<u>\$ (3,973,895)</u>	<u>\$ 24,750,862</u>	<u>\$ 2,063,125</u>

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2022, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Governmental Activities			
Years Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2023	\$ 955,000	\$ 236,153	\$ 1,191,153
2024	805,000	214,105	1,019,105
2025	830,000	193,230	1,023,230
2026	730,000	173,005	903,005
2027	585,000	155,955	740,955
2028-2032	2,890,000	558,131	3,448,131
2033-2037	2,365,000	250,938	2,615,938
2038-2041	860,000	38,648	898,648
Totals	<u>\$ 10,020,000</u>	<u>\$ 1,820,165</u>	<u>\$ 11,840,165</u>

Governmental Activities			
Years Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2023	\$ 49,255	\$ 4,154	\$ 53,409
2024	33,578	2,125	35,703
2025	16,896	909	17,805
2026	7,221	361	7,582
2027	2,561	29	2,590
Totals	<u>\$ 109,511</u>	<u>\$ 7,578</u>	<u>\$ 117,089</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES (Continued)

Business-Type Activities			
Years Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2023	\$ 585,000	\$ 147,111	\$ 732,111
2024	555,000	133,276	688,276
2025	570,000	119,601	689,601
2026	570,000	105,751	675,751
2027	600,000	91,551	691,551
2028-2032	1,755,000	303,332	2,058,332
2033-2037	1,175,000	133,352	1,308,352
2038-2041	410,000	16,061	426,061
Totals	<u>\$ 6,220,000</u>	<u>\$ 1,050,035</u>	<u>\$ 7,270,035</u>

Business-Type Activities			
Years Ending December 31,	General Obligation Revenue Bonds		
	Principal	Interest	Total
2023	\$ 856,000	\$ 276,250	\$ 1,132,250
2024	874,000	256,064	1,130,064
2025	896,000	234,904	1,130,904
2026	913,000	212,985	1,125,985
2027	945,000	190,149	1,135,149
2028-2032	5,079,000	573,369	5,652,369
2033	1,125,000	71,276	1,196,276
Totals	<u>\$ 10,688,000</u>	<u>\$ 1,814,997</u>	<u>\$ 12,502,997</u>

Business-Type Activities			
Years Ending December 31,	Notes Payable - Direct Borrowing		
	Principal	Interest	Total
2023	\$ 617,333	\$ 68,800	\$ 686,133
2024	612,248	62,548	674,796
2025	620,679	56,207	676,886
2026	629,118	49,777	678,895
2027	637,567	43,258	680,825
2028-2032	2,327,081	137,322	2,464,403
2033-2037	1,458,000	59,126	1,517,126
2035-2038	299,925	3,001	302,926
Totals	<u>\$ 7,201,951</u>	<u>\$ 480,039</u>	<u>\$ 7,681,990</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES (Continued)

Years Ending December 31,	Business-Type Activities		
	Lease Liabilities		
	Principal	Interest	Total
2023	\$ 4,792	\$ 1,703	\$ 6,495
2024	5,159	1,336	6,495
2025	5,554	941	6,495
2026	5,980	516	6,496
2027	4,240	92	4,332
Totals	<u>\$ 25,725</u>	<u>\$ 4,588</u>	<u>\$ 30,313</u>

Interest expense totals \$788,648 in the Statement of Activities (included in Debt Service, Wastewater, Telecom, Windom Area Health, Water, Arena, and River Bluff Townhomes lines). Interest expenditures total \$273,802 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$525,730 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

In 2019, the City obtained a loan from Minnesota Public Facilities Authority Clean Water Revolving Loan Fund for funding of improvements to the City’s wastewater treatment plant. The loan matures in 2038 with interest at 1.00% to be paid semi-annually. This outstanding note contains (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy available under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised. This loan is for wastewater treatment plant rehabilitation and expansion. The total available loan was \$9,624,333, of which \$8,909,643 was drawn to complete the corresponding improvements.

The City’s remaining outstanding notes from direct borrowings related to business-type activities of \$724,027 contain a provision that in event of default, outstanding amounts become immediately due if the City is unable to make payment. These outstanding notes are secured by the related properties. The outstanding notes from direct borrowings in the business-type activities related to River Bluff Townhomes total \$708,693. These notes contain a provision that an event of default exists if the net revenues from River Bluff Townhomes are insufficient to pay the related debt service, or if the City ceases to own and operate River Bluff Townhomes for market-rate and low-income housing. If either situation exists, then the outstanding amounts are due immediately.

Hospital Issuances

In 2014, the Hospital issued \$5,600,000 in Gross Revenue Hospital Bonds (Series 2014A) for partial financing of a hospital expansion and renovation project. Principal payments are due annually commencing September 2015 to September 2034 with interest paid semiannually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds are payable from the gross revenues of the Hospital. The bonds are payable from the “Gross Revenues” of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service. Under the Series 2014A bonds, the Hospital must meet certain operational and performance covenants and is limited in the amount of additional debt that can be incurred. Management believes the Hospital was in compliance with all debt covenants as of April 30, 2022.

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.D. NONCURRENT LIABILITIES (Continued)

On May 4, 2020, the Hospital received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) for \$1,929,500. The full amount of the PPP loan was included in the current maturities of long-term debt in the statement of net position as of April 30, 2021. On August 13, 2021, the PPP loan was forgiven in its entirety. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Hospital's net position.

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2022:

		Transfers In				
Major Funds	Transfers Out	Major Funds		Nonmajor Funds		Total
		General	Debt Service	Governmental	Proprietary	
General	\$ 141,841	\$ -	\$ 68,407	\$ -	\$ 73,434	\$ 141,841
Wastewater	60,420	750	59,670	-	-	60,420
Electric	200,750	175,750	-	25,000	-	200,750
Telecom	2,250	2,250	-	-	-	2,250
	405,261	178,750	128,077	25,000	73,434	405,261
Nonmajor Funds						
Water	59,126	750	58,376	-	-	59,126
Liquor	100,000	70,000	-	30,000	-	100,000
Arena	40,000	40,000	-	-	-	40,000
	199,126	110,750	58,376	30,000	-	199,126
Total	\$ 604,387	\$ 289,500	\$ 186,453	\$ 55,000	\$ 73,434	\$ 604,387

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

Interfund balances at year-end are as follows:

Short-Term Balances		Amount	Purpose
Due To Fund	Due From Fund		
General	Debt Service	\$ 198,174	Eliminate negative cash
Electric	Telecom	<u>70,538</u>	Eliminate negative cash
Total Interfund Balances		268,712	
Governmental Fund Elimination		(198,174)	
Business-type fund elimination		<u>(70,538)</u>	
Total Government-Wide Internal Balances		<u>\$ -</u>	

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

2.F. FUND EQUITY

At December 31, 2022, governmental fund equity consists of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund					
Nonspendable - Inventory	\$ 64,656	\$ -	\$ -	\$ -	\$ -
Restricted for Lions Club Park Shelter	-	36,056	-	-	-
Restricted for Veteran's Memorial	-	31,346	-	-	-
Committed for Donations - Fire, Well, and Park	-	-	74,018	-	-
Committed for Equipment	-	-	7,631	-	-
Assigned for Airport	-	-	-	167,137	-
Assigned for Capital Projects	-	-	-	653,004	-
Assigned for Dilapidated Housing Program Fund	-	-	-	18,515	-
Assigned for Library	-	-	-	238,238	-
Assigned for Police Donations and Forfeits	-	-	-	8,354	-
Assigned for Pool	-	-	-	59,348	-
Assigned for Sick Pay At Retirement	-	-	-	224,751	-
Unassigned	-	-	-	-	2,860,835
Total General Fund Balance	<u>\$ 64,656</u>	<u>\$ 67,402</u>	<u>\$ 81,649</u>	<u>\$ 1,369,347</u>	<u>\$ 2,860,835</u>
Economic Development Fund					
Nonspendable - Property Held for Sale	\$ 94,975	\$ -	\$ -	\$ -	\$ -
Nonspendable - Loans Receivable, Net of Deferral	88,961	-	-	-	-
Nonspendable - Leases Receivable	207	-	-	-	-
Restricted for Economic Development	-	480,275	-	-	-
Total Economic Development Fund Balance	<u>\$ 184,143</u>	<u>\$ 480,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Fund					
Restricted for Debt Service	<u>\$ -</u>	<u>\$ 1,736,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Nonmajor Governmental Funds					
Restricted for Capital Projects	\$ -	\$ 59,481	\$ -	\$ -	\$ -
Assigned for Public Safety - Ambulance	-	-	-	2,100,366	-
Total Nonmajor Governmental Funds Balance	<u>\$ -</u>	<u>\$ 59,481</u>	<u>\$ -</u>	<u>\$ 2,100,366</u>	<u>\$ -</u>

Additionally, nonmajor funds with deficit fund balances or net positions at December 31, 2022 are as follows:

<u>Nonmajor Proprietary Fund</u>	<u>Fund Deficit</u>
River Bluff Townhomes Fund	<u>\$ (39,567)</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022 were \$791,816. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in the fiscal year 2022 and the City was required to contribute 17.70 percent for the Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022 were \$131,461. The City's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$7,342,707 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$342,202. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1428 percent at the end of the measurement period and 0.1421 percent for the beginning of the period.

City's proportionate share of the net pension liability:	\$7,342,707
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>342,202</u>
Total	<u>\$7,684,909</u>

For the year ended December 31, 2022, the City recognized pension expense of \$522,210 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$23,266 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 51,078	\$ 173,463
Changes in actuarial assumptions	3,501,138	114,051
Difference between projected and actual investment earnings	-	4,066,560
Changes in proportionate share	343,568	102,491
Contributions paid to PERA subsequent to the measurement date	637,125	-
Total Deferred Outflows/Inflows	<u>\$ 4,532,909</u>	<u>\$ 4,456,565</u>

The \$637,125 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2023	\$ 162,576
2024	\$ 258,277
2025	\$ (129,368)
2026	\$ (852,266)

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,554,392 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0587 percent at the end of the measurement period and 0.0539 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$503,764 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$21,623 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$5,283 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's proportionate share of the net pension liability:	\$2,554,392
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>111,473</u>
Total	<u>\$2,665,865</u>

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 150,999	\$ -
Changes in actuarial assumptions	1,460,089	14,361
Difference between projected and actual investment earnings	87,629	-
Changes in proportionate share	39,634	28,859
Contributions paid to PERA subsequent to the measurement date	<u>68,497</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 1,806,848</u>	<u>\$ 43,220</u>

The \$68,497 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2023	\$ 330,219
2024	\$ 331,428
2025	\$ 296,207
2026	\$ 518,570
2027	\$ 218,707

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 and were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

Pension Liability Sensitivity

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

	Sensitivity Analysis					
	General Employees Fund			Police and Fire Fund		
1% Decrease in Discount Rate	5.50%	\$	13,733,209	4.40%	\$	3,865,745
Current Discount Rate	6.50%	\$	7,342,707	5.40%	\$	2,554,392
1% Increase in Discount Rate	7.50%	\$	2,099,548	6.40%	\$	1,494,242

Pension Plan Fiduciary Net Position

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

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

Ambulance service personnel and certain Council members of the City of Windom are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$15,691	\$15,691	5%	5%	5%

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Windom are members of the Windom Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of the most recent valuation date, membership includes 32 active participants and 2 inactive members who are entitled to future benefits. The plan issues a stand-alone financial statement.

Benefits Provided

Each member who is at least 50 years of age, has retired from the Windom Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$3,000 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2.

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.

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Contributions

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

The plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$53,390 in fire state aid, which the City remitted to the Relief Association during the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City did not have a statutorily-required contribution to the plan for the year ended December 31, 2022.

Pension Costs

At December 31, 2022, the City of Windom reported a net pension asset of \$744,401 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2021, as determined by an actuarial valuation as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension expense of negative \$48,247 for the Association. The City also recognized \$53,869, as pension expense (and grant revenue) for State of Minnesota's contributions to the Association during the measurement period.

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance 12/31/20	\$ 667,311	\$ 1,301,214	\$ (633,903)
Service Cost	41,688	-	41,688
Interest on Pension Liability	39,287	-	39,287
Plan Changes	39,696	-	39,696
Contributions (State)	-	53,869	(53,869)
Asset (Gain)/Loss	-	180,650	(180,650)
Benefit Payouts	(51,500)	(51,500)	-
Administrative Fee	-	(2,350)	2,350
Other Deductions	-	(1,000)	1,000
Net Changes	69,171	179,669	(110,498)
Balance End of Year 12/31/21	<u>\$ 736,482</u>	<u>\$ 1,480,883</u>	<u>\$ (744,401)</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

At December 31, 2022, the City of Windom reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 71,273
Changes in actuarial assumptions	25,232	3,864
Difference between projected and actual investment earnings	-	107,010
Total Deferred Outflows/Inflows	<u>\$ 25,232</u>	<u>\$ 182,147</u>

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

Year ended December 31:	Pension Expense
2023	\$ (22,411)
2024	\$ (62,928)
2025	\$ (31,517)
2026	\$ (24,163)
2027	\$ (3,055)
2028-2031	\$ (12,841)

Actuarial Assumptions

The total pension asset measured at December 31, 2021 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes made to actuarial assumptions since the prior measurement date.

There were no changes made to plan provisions during 2021 except that the benefit level increase from \$2,800 to \$3,000 was reflected in the active liability.

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (4.75%)	Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Net Pension Asset	\$ 715,336	\$ 744,401	\$ 772,579

Plan Investments

Asset Allocation

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

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

Pension Plan Fiduciary Net Position

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

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City operates a single-employer defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. There are 41 active participants and 3 retired participants as of the most recent plan valuation date. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

Benefits Provided

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

Contributions

The City has historically funded these liabilities on a pay-as-you-go basis, in the amounts contractually required to satisfy the benefit terms discussed above. For the year ended December 31, 2022, the City did not make any direct contributions to the plan, but an implicit rate subsidy was calculated in the amount of \$23,319.

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

At December 31, 2022, the City reported a net OPEB liability of \$599,537 for the City’s plan. The net OPEB liability was measured as of December 31, 2021, based on an actuarial valuation as of December 31, 2021.

For the year ended December 31, 2022, the City recognized OPEB expense of negative \$33,943. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 34,206
Changes in actuarial assumptions	12,534	15,773
Contributions paid subsequent to the measurement date	<u>23,319</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 35,853</u>	<u>\$ 49,979</u>

The \$23,319 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amount reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	OPEB Expense
2023	\$ (9,996)
2024	\$ (9,996)
2025	\$ (9,996)
2026	\$ (9,996)
2027	\$ (9,995)

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

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended December 31, 2022:

	City of Windom December 31, 2022	Windom Area Health April 30, 2022	Total
Changes in Total OPEB Liability (TOL)			
Balance at Beginning of Year	\$ 539,615	\$ 133,669	\$ 673,284
Service Cost	53,234	17,426	70,660
Interest Cost	11,459	4,255	15,714
Changes in Assumptions	(107,221)	11,749	(95,472)
Differences between Expected and Actual Experience	(22,287)	-	(22,287)
Benefit Payments	(39,804)	(2,558)	(42,362)
Balance at End of Year	<u>\$ 434,996</u>	<u>\$ 164,541</u>	<u>\$ 599,537</u>

Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
<u>Actuarial Information:</u>	
Valuation Date	December 31, 2021
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal, level percentage of pay
Actuarial Assets	None
<u>Actuarial Assumptions:</u>	
Discount Rate	1.84%
Inflation	2.25%
Bond Yield	1.84%
Medical Trend Rate	6.20% for 2022 gradually decreasing to an ultimate rate of 3.70% by 2074 and later years
Dental Trend Rate	None

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

Changes to actuarial assumptions since the prior valuation:

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations to the rates used in the 7/1/2021 valuations.

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

- 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 to plan provisions since the prior valuation:

- Retiree premiums were updated to current levels.

Net OPEB Liability Sensitivity

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

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	2.84%	\$ 547,128
Current Discount Rate	1.84%	\$ 599,537
1% Decrease in Discount Rate	0.84%	\$ 656,999

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

Sensitivity of Net OPEB Liability at Current Healthcare Cost Trend Rates	
	Amounts
1% Increase in Healthcare Trend Rates	\$ 692,722
Current Healthcare Trend Rates	\$ 599,537
1% Decrease in Healthcare Trend Rates	\$ 522,936

NOTE 7 NET PATIENT SERVICE REVENUE AND RECEIVABLES

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

Medicare

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

Medicaid

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 NET PATIENT SERVICE REVENUE AND RECEIVABLES (Continued)

Revenue from the Medicare programs accounted for approximately 47% for the year ended 2022, and revenue from the Medicaid programs accounted for approximately 11% for the year ended 2022, 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 2022 net patient service revenue increased approximately \$760,000 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.

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:

	<u>2022</u>
Gross Patient Service Revenue	\$ 45,978,027
<i>Adjustments and Discounts:</i>	
Medicare	(10,775,593)
Medicaid	(4,396,456)
Other	(4,484,462)
Provisions for Bad Debt	<u>(524,617)</u>
Total Adjustments and Discounts	<u>(20,181,128)</u>
Net Patient Service Revenue	<u>\$ 25,796,899</u>

Patient accounts receivable reported as current assets by the Hospital at April 30, 2022 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	\$ 2,337,777
Receivable from Medicare	1,451,917
Receivable from Medicaid	<u>323,497</u>
Total Patient Accounts Receivable	4,113,191
Less: Allowance for Uncollectible Amounts	<u>(388,000)</u>
Net Patient Accounts Receivable	<u>\$ 3,725,191</u>

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 OTHER NOTES

8.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

Hospital - Malpractice Claims

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

Hospital - Compliance

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

8.B. COMMITMENTS AND CONTINGENCIES

Hospital - Operating Leases

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

<u>Year Ended April 30,</u>	<u>Amount</u>
2023	\$ 293,580
2024	146,790
Total	<u>\$ 440,370</u>

Total rent expense associated with the operating leases for the year ended April 30, 2022 was approximately \$716,000.

Hospital – Management Agreements

The Hospital has a management agreement with Sanford Health Services (Sanford). This agreement gives Sanford, through the Hospital's administrator, full authority to implement and fulfill the policy decisions of the Hospital's board of directors. Either party may terminate this agreement with proper notice. Total management fees, including the administrator's salary and benefits, were \$315,482 year ended April 30, 2022.

CITY OF WINDOM, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 OTHER NOTES (Continued)

8.B. COMMITMENTS AND CONTINGENCIES (Continued)

The Hospital also purchases certain services, supplies and other items through Sanford's network. Amount due to Sanford was \$112,000 at April 30, 2022.

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.

Construction Contracts

The City entered into various contracts during the year for construction services. Remaining commitment under these contracts at December 31, 2022 totals \$6,885,130, not including retainage which has been accrued in these financial statements.

8.C. TAX INCREMENT FINANCING DISTRICTS

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is generally returned to the business to finance the debt incurred for the related improvements. Under the City's existing districts, tax abatements are scheduled to occur through the 2046 calendar year. For the year ended December 31, 2022, the City made payments of excess tax increment in the amount of \$890,901. The total outstanding balance of pay-as-you-go debt being financed via these tax increment payments approximates \$1,583,000 as of December 31, 2022. No other commitments were made by the City as part of these agreements.

8.D. OTHER EMPLOYEE BENEFITS

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

8.E. NEW ACCOUNTING STANDARD

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96 will be effective for the City's fiscal year ended December 31, 2023. The effect on net position may be significant.

8.F. SUBSEQUENT EVENTS

Subsequent to year-end and prior to the issuance of these financial statements, the City executed a lease agreement with Southwest Minnesota Broadband Services for space and fiber strands owned by the City in the amount of \$105,424.

Subsequent to year-end and prior to the issuance of these financial statements, the City contracted for an Electric Department Truck Garage project at an estimated combined cost of \$1,422,794. The City also approved the purchase of an ambulance chassis at a net cost of \$196,474, after trade-in value received for the old chassis.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINDOM, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 1,043,993	\$ 1,043,993	\$ 1,027,507	\$ (16,486)
Hotel/Motel Taxes	50,000	50,000	52,945	2,945
Total Taxes	1,093,993	1,093,993	1,080,452	(13,541)
Special Assessments	-	-	9,428	9,428
Licenses and Permits	66,920	66,920	125,411	58,491
Intergovernmental Revenue				
Federal Revenue				
Coronavirus Relief Funds	-	-	240,601	240,601
State Revenue				
Local Government Aid	1,588,681	1,588,681	1,588,744	63
Police and Fire Aid	128,000	128,000	149,381	21,381
Other State Grants and Aids	119,000	119,000	35,750	(83,250)
Local Revenue				
Other Local Grants	20,000	20,000	23,292	3,292
Total Intergovernmental Revenue	1,855,681	1,855,681	2,037,768	182,087
Charges for Services				
General Government	32,500	32,500	55,782	23,282
Police and Fire Contracts	226,500	226,500	292,021	65,521
Libraries	500	500	866	366
Parks and Recreation	57,100	57,100	60,094	2,994
Airports	107,100	237,100	244,925	7,825
Other Service Charges	5,000	5,000	6,627	1,627
Total Charges for Services	428,700	558,700	660,315	101,615
Fines and Forfeitures	12,500	12,500	22,609	10,109
Miscellaneous Revenue				
Investment Earnings	25,000	25,000	84,668	59,668
Sale of Assets	-	-	9,750	9,750
Contributions and Donations	2,000	137,000	205,400	68,400
Other Miscellaneous	-	-	11,440	11,440
Total Miscellaneous Revenue	27,000	162,000	311,258	149,258
TOTAL REVENUES	3,484,794	3,749,794	4,247,241	497,447

CITY OF WINDOM, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	Original	Final		
EXPENDITURES				
General Government				
Mayor and Council	\$ 136,036	\$ 311,036	\$ 286,350	\$ (24,686)
Administration and Finance	132,997	132,997	136,939	3,942
Other General Government	42,955	42,955	44,213	1,258
Capital Outlay	6,000	6,000	72,294	66,294
Total General Government	317,988	492,988	539,796	46,808
Public Safety				
Police				
Current	1,399,818	1,399,818	1,378,420	(21,398)
Capital Outlay	29,000	29,000	76,734	47,734
Fire				
Current	180,077	180,077	234,063	53,986
Capital Outlay	331,975	331,975	248,514	(83,461)
Other Public Safety				
Current	169,324	179,324	175,802	(3,522)
Capital Outlay	2,444	2,444	1,312	(1,132)
Total Public Safety	2,112,638	2,122,638	2,114,845	(7,793)
Public Works				
Street Maintenance and Storm Sewers	533,564	533,564	463,303	(70,261)
Street Lighting	20,000	20,000	21,963	1,963
Capital Outlay - Other	613,694	613,694	135,433	(478,261)
Total Public Works	1,167,258	1,167,258	620,699	(546,559)
Sanitation				
Garbage and Other Refuse	25,000	25,000	28,392	3,392
Culture and Recreation				
Libraries				
Current	224,449	239,349	220,520	(18,829)
Capital Outlay	2,500	2,500	-	(2,500)
Parks and Recreation				
Current	380,912	380,912	381,141	229
Capital Outlay	10,000	10,000	48,458	38,458
Total Culture and Recreation	617,861	632,761	650,119	17,358
Housing and Economic Development				
Housing and Urban Redevelopment				
Current	17,500	17,500	-	(17,500)

CITY OF WINDOM, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Over Under
	Original	Final		
Miscellaneous Expenditures				
Airports				
Current	\$ 124,601	\$ 254,601	\$ 230,783	\$ (23,818)
Capital Outlay	110,000	110,000	80,353	(29,647)
Total Miscellaneous Expenditures	234,601	364,601	311,136	(53,465)
Debt Service				
Principal Payments on Other Debt	-	-	46,409	46,409
Interest and Other Fiscal Charges	-	-	5,681	5,681
Total Debt Service	-	-	52,090	52,090
TOTAL EXPENDITURES	4,492,846	4,822,746	4,317,077	(505,669)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,008,052)	(1,072,952)	(69,836)	1,003,116
OTHER FINANCING SOURCES (USES)				
Borrowing				
Bonds Issued, Net	550,000	550,000	-	(550,000)
Lease Proceeds	-	-	26,373	26,373
Transfers				
From Other Funds	517,450	557,450	289,500	(267,950)
To Other Funds	(378,929)	(420,088)	(141,841)	278,247
TOTAL OTHER FINANCING SOURCES (USES)	688,521	687,362	174,032	(513,330)
NET CHANGE IN FUND BALANCE	\$ (319,531)	\$ (385,590)	104,196	\$ 489,786
FUND BALANCE - BEGINNING			4,339,693	
FUND BALANCE - ENDING			\$ 4,443,889	

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

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Retirement Pension Plan							
2022	0.1428%	\$ 7,342,707	\$ 342,202	\$ 7,684,909	\$ 11,015,714	69.76%	76.7%
2021	0.1421%	\$ 7,876,115	\$ 190,326	\$ 8,066,441	\$ 10,545,412	76.49%	87.0%
2020	0.0353%	\$ 7,805,506	\$ 242,109	\$ 8,047,615	\$ 10,039,460	80.16%	79.1%
2019	0.0351%	\$ 7,499,285	\$ 242,689	\$ 7,741,974	\$ 9,818,915	78.85%	80.2%
2018	0.0359%	\$ 8,439,358	\$ 146,437	\$ 8,585,795	\$ 9,238,069	92.94%	79.5%
2017	0.0366%	\$ 10,074,407	\$ 29,380	\$ 10,103,787	\$ 8,685,475	116.33%	75.9%
2016	0.0370%	\$ 8,243,742	\$ 39,236	\$ 8,282,978	\$ 8,309,488	99.68%	68.9%
2015	0.0450%	\$ 2,098,920	\$ -	\$ 2,098,920	\$ 2,378,626	88.24%	78.2%
Public Employees Police and Fire Pension Plan							
2022	0.0587%	\$ 2,554,392	\$ 111,473	\$ 2,665,865	\$ 737,390	361.53%	70.5%
2021	0.0539%	\$ 416,051	\$ 18,697	\$ 434,748	\$ 685,944	63.38%	93.7%
2020	0.0549%	\$ 723,641	\$ 17,050	\$ 740,691	\$ 619,078	119.64%	87.2%
2019	0.0571%	\$ 607,890	\$ -	\$ 607,890	\$ 601,744	101.02%	89.3%
2018	0.0556%	\$ 587,634	\$ -	\$ 587,634	\$ 585,592	100.35%	88.8%
2017	0.0560%	\$ 756,067	\$ -	\$ 756,067	\$ 570,375	132.56%	85.4%
2016	0.0547%	\$ 2,207,246	\$ -	\$ 2,207,246	\$ 526,951	418.87%	63.9%
2015	0.0550%	\$ 624,929	\$ -	\$ 624,929	\$ 506,666	123.34%	86.6%

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

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

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2022	\$ 791,816	\$ 791,816	\$ -	\$ 10,609,154	7.46%
2021	\$ 805,763	\$ 805,763	\$ -	\$ 10,900,266	7.39%
2020	\$ 758,188	\$ 758,188	\$ -	\$ 10,109,173	7.50%
2019	\$ 754,870	\$ 754,870	\$ -	\$ 10,064,933	7.50%
2018	\$ 668,485	\$ 668,485	\$ -	\$ 8,913,133	7.50%
2017	\$ 629,920	\$ 629,920	\$ -	\$ 8,398,933	7.50%
2016	\$ 603,670	\$ 603,670	\$ -	\$ 8,048,933	7.50%
2015	\$ 597,569	\$ 597,569	\$ -	\$ 7,967,587	7.50%
<i>Public Employees Police and Fire Pension Plan</i>					
2022	\$ 131,461	\$ 131,461	\$ -	\$ 742,718	17.70%
2021	\$ 132,983	\$ 132,983	\$ -	\$ 751,316	17.70%
2020	\$ 116,514	\$ 116,514	\$ -	\$ 658,271	17.70%
2019	\$ 106,463	\$ 106,463	\$ -	\$ 628,100	16.95%
2018	\$ 94,866	\$ 94,866	\$ -	\$ 585,592	16.20%
2017	\$ 92,401	\$ 92,401	\$ -	\$ 570,375	16.20%
2016	\$ 85,366	\$ 85,366	\$ -	\$ 526,951	16.20%
2015	\$ 82,258	\$ 82,258	\$ -	\$ 507,766	16.20%
<i>Volunteer Fire Relief Association</i>					
2022	\$ -	\$ -	\$ -	N/A	N/A
2021	\$ -	\$ -	\$ -	N/A	N/A
2020	\$ -	\$ -	\$ -	N/A	N/A
2019	\$ -	\$ -	\$ -	N/A	N/A
2018	\$ -	\$ -	\$ -	N/A	N/A
2017	\$ -	\$ -	\$ -	N/A	N/A
2016	\$ -	\$ -	\$ -	N/A	N/A
2015	\$ -	\$ -	\$ -	N/A	N/A

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

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

	Measurement Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Changes in Total Pension Liability (TPL)							
Balance at January 1st	\$ 667,311	\$ 626,085	\$ 663,548	\$ 847,979	\$ 851,896	\$ 819,356	\$ 741,333
Service Cost	41,688	39,234	36,666	32,592	29,294	30,656	28,015
Interest on the TPL	39,287	41,582	37,162	48,213	57,717	53,502	50,008
Assumption Changes	-	17,815	(5,407)	14,428	2,231	2,182	-
Differences Between Expected and Actual Experience	-	(57,405)	-	(2,014)	(62,246)	-	-
Changes in Benefit Terms	39,696	-	55,799	-	21,337	-	-
Benefit Payments	(51,500)	-	(161,683)	(277,650)	(52,250)	(53,800)	-
Balance at December 31st	<u>\$ 736,482</u>	<u>\$ 667,311</u>	<u>\$ 626,085</u>	<u>\$ 663,548</u>	<u>\$ 847,979</u>	<u>\$ 851,896</u>	<u>\$ 819,356</u>
Plan Fiduciary Net Position (PFNP)							
Balance at January 1st	\$ 1,301,214	\$ 1,176,897	\$ 1,079,224	\$ 1,390,150	\$ 1,211,976	\$ 1,133,396	\$ 1,113,829
Fire State Aid	53,869	49,930	50,148	52,244	49,576	49,132	49,942
Municipal Contributions	-	-	-	-	-	-	5,000
Projected Investment Income	180,650	75,587	214,558	(121,123)	187,248	87,136	(34,324)
Donations and Other Income	-	-	-	39,953	-	-	-
Total Additions	234,519	125,517	264,706	(28,926)	236,824	136,268	20,618
Benefit Payments	(51,500)	-	(161,683)	(277,650)	(52,250)	(53,800)	-
Administrative Expenses	(2,350)	(1,200)	(5,350)	(4,350)	(6,400)	(3,888)	(1,051)
Other Deductions	(1,000)	-	-	-	-	-	-
Total Reductions	(54,850)	(1,200)	(167,033)	(282,000)	(58,650)	(57,688)	(1,051)
Balance at December 31st	<u>\$ 1,480,883</u>	<u>\$ 1,301,214</u>	<u>\$ 1,176,897</u>	<u>\$ 1,079,224</u>	<u>\$ 1,390,150</u>	<u>\$ 1,211,976</u>	<u>\$ 1,133,396</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (744,401)</u>	<u>\$ (633,903)</u>	<u>\$ (550,812)</u>	<u>\$ (415,676)</u>	<u>\$ (542,171)</u>	<u>\$ (360,080)</u>	<u>\$ (314,040)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	201%	195%	188%	163%	164%	142%	138%

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

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

	Measurement Year Ended December 31,				
	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)					
Balance at January 1st	\$ 673,284	\$ 662,392	\$ 481,774	\$ 384,192	\$ 360,022
Service Cost	70,660	64,974	43,988	46,569	25,246
Interest Cost	15,714	20,615	18,936	18,144	14,108
Differences between Expected and Actual Experience	(22,287)	(47,998)	106,848	-	-
Changes in Actuarial Assumptions	(95,472)	14,605	41,593	(49,273)	14,751
Benefit Payments	(42,362)	(41,304)	(30,747)	(42,141)	(29,935)
Adjustment	-	-	-	124,283	-
Net OPEB Liability - December 31st	<u>\$ 599,537</u>	<u>\$ 673,284</u>	<u>\$ 662,392</u>	<u>\$ 481,774</u>	<u>\$ 384,192</u>
Covered Payroll for Active Members	<u>\$ 12,323,566</u>	<u>\$ 11,621,132</u>	<u>\$ 2,995,324</u>	<u>\$ 2,915,407</u>	<u>\$ 9,238,069</u>
Net OPEB Liability / Covered Payroll	4.86%	5.79%	22.11%	16.53%	4.16%

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

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

For the Year Ended December 31	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 23,319	\$ 23,319	\$ -	\$ 3,864,864	0.6%
2021	\$ 39,804	\$ 39,804	\$ -	\$ 3,875,087	1.0%
2020	\$ 30,747	\$ 30,747	\$ -	\$ 2,995,324	1.0%
2019	\$ 42,141	\$ 42,141	\$ -	\$ 2,915,407	1.4%
2018	\$ 29,935	\$ 29,935	\$ -	\$ 9,238,069	0.3%

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2019 Changes

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

**CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.

CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

- 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 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 3 FIRE RELIEF ASSOCIATION

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions.

CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 3 FIRE RELIEF ASSOCIATION (Continued)

- The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.25%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- No changes.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF WINDOM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed to 3.71%.
- The medical trend rate was changed from 6.90% decreasing to 4.40% in 2075, to 6.30% decreasing to 4.40% in 2075.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

**CITY OF WINDOM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>Special Revenue</u>	<u>Capital Project</u>	Total Nonmajor
	Ambulance Fund	Capital Projects Fund	Governmental Funds
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 1,635,326	\$ 59,481	\$ 1,694,807
Accounts Receivable	<u>488,107</u>	<u>-</u>	<u>488,107</u>
TOTAL ASSETS	<u><u>\$ 2,123,433</u></u>	<u><u>\$ 59,481</u></u>	<u><u>\$ 2,182,914</u></u>
LIABILITIES			
Accounts Payable	\$ 23,067	\$ -	\$ 23,067
FUND BALANCES			
Restricted	-	59,481	59,481
Assigned	<u>2,100,366</u>	<u>-</u>	<u>2,100,366</u>
Total Fund Balances	<u><u>2,100,366</u></u>	<u><u>59,481</u></u>	<u><u>2,159,847</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,123,433</u></u>	<u><u>\$ 59,481</u></u>	<u><u>\$ 2,182,914</u></u>

CITY OF WINDOM, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Special Revenue</u>	<u>Capital Project</u>	Total Nonmajor
	Ambulance Fund	Capital Projects Fund	Governmental Funds
REVENUES			
Taxes	\$ -	\$ 59,573	\$ 59,573
Intergovernmental	20,402	-	20,402
Charges for Services	782,371	-	782,371
Investment Earnings (Losses)	(997)	-	(997)
Miscellaneous	1,596	10,000	11,596
TOTAL REVENUES	803,372	69,573	872,945
EXPENDITURES			
Current:			
Public Safety	549,836	-	549,836
Debt Service:			
Principal	-	85,000	85,000
Interest and Other Charges	-	28,890	28,890
TOTAL EXPENDITURES	549,836	113,890	663,726
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	253,536	(44,317)	209,219
OTHER FINANCING SOURCES (USES)			
Transfers In	-	55,000	55,000
NET CHANGE IN FUND BALANCES	253,536	10,683	264,219
FUND BALANCES - BEGINNING	1,846,830	48,798	1,895,628
FUND BALANCES - ENDING	<u>\$ 2,100,366</u>	<u>\$ 59,481</u>	<u>\$ 2,159,847</u>

CITY OF WINDOM, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2022

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
ASSETS						
Current Assets						
Cash, Cash Equivalents, and Investments	\$ 1,810,164	\$ 799,021	\$ 29,690	\$ 582,855	\$ 205,849	\$ 3,427,579
Accounts Receivable	111,771	1,527	744	2,311	-	116,353
Inventory	52,108	325,972	-	-	-	378,080
Total Current Assets	1,974,043	1,126,520	30,434	585,166	205,849	3,922,012
Noncurrent Assets						
Capital Assets Not Being Depreciated/Amortized	158,124	-	-	-	-	158,124
Capital Assets Being Depreciated/Amortized (Net)	5,016,541	83,125	1,597,686	951,817	472,899	8,122,068
Assessments Receivable	79,549	-	-	-	-	79,549
Total Noncurrent Assets	5,254,214	83,125	1,597,686	951,817	472,899	8,359,741
TOTAL ASSETS	7,228,257	1,209,645	1,628,120	1,536,983	678,748	12,281,753
DEFERRED OUTFLOWS OF RESOURCES						
OPEB	1,488	993	993	1,488	-	4,962
Pensions	82,080	69,654	41,492	40,904	-	234,130
TOTAL DEFERRED OUTFLOWS OF RESOURCES	83,568	70,647	42,485	42,392	-	239,092
LIABILITIES						
Current Liabilities						
Accounts Payable	32,537	106,628	14,896	10,395	1,594	166,050
Other Current Liabilities	-	4,790	-	-	-	4,790
Unearned Revenue	865	2,929	865	2,453	7,406	14,518
Accrued Interest	19,326	-	12,023	-	622	31,971
Debt Due Within One Year	157,783	-	45,000	-	19,000	221,783
Total Current Liabilities	210,511	114,347	72,784	12,848	28,622	439,112
Noncurrent Liabilities						
Compensated Absences						
Due After One Year	51,029	30,478	25,934	4,355	-	111,796
Debt Due After One Year	1,902,080	-	912,909	-	689,693	3,504,682
Net OPEB Liability	27,753	18,531	18,531	27,753	-	92,568
Net Pension Liability	261,335	219,385	132,387	129,739	-	742,846
Total Noncurrent Liabilities	2,242,197	268,394	1,089,761	161,847	689,693	4,451,892
TOTAL LIABILITIES	2,452,708	382,741	1,162,545	174,695	718,315	4,891,004
DEFERRED INFLOWS OF RESOURCES						
Pensions	18,548	15,570	9,396	9,208	-	52,722
NET POSITION						
Net Investment in Capital Assets	3,114,802	83,125	639,777	951,817	(235,794)	4,553,727
Unrestricted	1,725,767	798,856	(141,113)	443,655	196,227	3,023,392
TOTAL NET POSITION	<u>\$ 4,840,569</u>	<u>\$ 881,981</u>	<u>\$ 498,664</u>	<u>\$ 1,395,472</u>	<u>\$ (39,567)</u>	<u>\$ 7,577,119</u>

CITY OF WINDOM, MINNESOTA
COMBINING STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
SALES AND COST OF SALES						
Sales	\$ -	\$ 2,412,277	\$ -	\$ -	\$ -	\$ 2,412,277
Cost of Sales	-	(1,790,193)	-	(1,210)	-	(1,791,403)
Facility Use/Other Revenue	-	-	98,759	179,622	100,901	379,282
GROSS PROFIT	-	622,084	98,759	178,412	100,901	1,000,156
OPERATING REVENUES						
Charges for Services	1,263,744	-	-	-	-	1,263,744
TOTAL GROSS PROFIT AND OPERATING REVENUES	1,263,744	622,084	98,759	178,412	100,901	2,263,900
OPERATING EXPENSES						
Wages and Benefits	337,426	314,310	185,874	227,305	-	1,064,915
Materials and Supplies	83,480	13,545	27,776	35,634	1,810	162,245
Repairs and Maintenance	56,735	9,030	29,077	16,321	21,568	132,731
Professional Services	27,107	12,352	9,409	6,553	-	55,421
Licenses, Permits, and Fees	25,236	4,311	340	-	6,192	36,079
Insurance	23,106	19,731	19,996	13,157	6,221	82,211
Utilities	120,769	17,714	77,080	31,505	13,125	260,193
Miscellaneous	6,469	82,557	11,375	19,396	4,031	123,828
Depreciation and Amortization	419,475	26,463	86,527	60,472	28,082	621,019
TOTAL OPERATING EXPENSES	1,099,803	500,013	447,454	410,343	81,029	2,538,642
NET OPERATING INCOME	163,941	122,071	(348,695)	(231,931)	19,872	(274,742)
NONOPERATING INCOME (EXPENSE)						
Taxes	-	-	238,923	276,283	-	515,206
Special Assessments	7,738	-	-	-	-	7,738
Intergovernmental	58,980	961	580	568	-	61,089
Investment Income	(829)	325	3,582	55	9	3,142
Miscellaneous	-	-	-	57,417	-	57,417
Interest and Other Charges	(46,895)	-	(29,347)	-	(5,384)	(81,626)
TOTAL NONOPERATING INCOME (EXPENSE)	18,994	1,286	213,738	334,323	(5,375)	562,966
CHANGE IN NET POSITION PRIOR TO TRANSFERS	182,935	123,357	(134,957)	102,392	14,497	288,224
TRANSFERS						
Operating Transfers In	-	-	73,434	-	-	73,434
Operating Transfers Out	(59,126)	(100,000)	(40,000)	-	-	(199,126)
NET TRANSFERS	(59,126)	(100,000)	33,434	-	-	(125,692)
CHANGE IN NET POSITION	123,809	23,357	(101,523)	102,392	14,497	162,532
NET POSITION - BEGIN. OF YEAR	4,716,760	858,624	600,187	1,293,080	(54,064)	7,414,587
NET POSITION - END OF YEAR	<u>\$ 4,840,569</u>	<u>\$ 881,981</u>	<u>\$ 498,664</u>	<u>\$ 1,395,472</u>	<u>\$ (39,567)</u>	<u>\$ 7,577,119</u>

**CITY OF WINDOM, MINNESOTA
COMBINING STATEMENT CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 1,254,571	\$ 2,413,508	\$ 99,178	\$ 175,531	\$ 100,701	\$ 4,043,489
Cash Paid to Suppliers	(333,793)	(1,945,343)	(176,256)	(122,677)	(52,842)	(2,630,911)
Cash Paid to Employees	(332,410)	(294,398)	(176,755)	(204,547)	-	(1,008,110)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	588,368	173,767	(253,833)	(151,693)	47,859	404,468
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Taxes and Intergovernmental	-	961	239,503	276,851	-	517,315
Other Receipts from Customers	-	-	-	57,417	-	57,417
Net Operating Subsidies and Transfers from (to) Other Funds	(59,126)	(100,000)	33,434	-	-	(125,692)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(59,126)	(99,039)	272,937	334,268	-	449,040
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Assessments and Loans Receivable	21,547	-	-	-	-	21,547
Intergovernmental and Other	58,980	-	-	-	-	58,980
Purchases of Capital Assets	(106,885)	-	(2,500)	(9,350)	-	(118,735)
Payments on Debt Principal	(164,150)	-	(45,000)	-	(18,114)	(227,264)
Cash Paid for Interest	(48,370)	-	(29,784)	-	(5,113)	(83,267)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(238,878)	-	(77,284)	(9,350)	(23,227)	(348,739)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net Sales (Purchase) of Investments	(942,000)	-	40,000	-	-	(902,000)
Interest Income	7,469	2,792	205	182	9	10,657
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(934,531)	2,792	40,205	182	9	(891,343)
Net Change in Cash and Cash Equivalents	(644,167)	77,520	(17,975)	173,407	24,641	(386,574)
Cash and Cash Equivalents - Beginning of Year	1,420,726	475,172	(269,276)	352,247	181,208	2,160,077
Cash and Cash Equivalents - End of Year	776,559	552,692	(287,251)	525,654	205,849	1,773,503
Investments	1,033,605	246,329	316,941	57,201	-	1,654,076
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,810,164</u>	<u>\$ 799,021</u>	<u>\$ 29,690</u>	<u>\$ 582,855</u>	<u>\$ 205,849</u>	<u>\$ 3,427,579</u>

CITY OF WINDOM, MINNESOTA
COMBINING STATEMENT CASH FLOWS (Continued)
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Water Fund	Liquor Fund	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes Fund	Total Nonmajor Proprietary Funds
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net Operating Income (Loss)	\$ 163,941	\$ 122,071	\$ (348,695)	\$ (231,931)	\$ 19,872	\$ (274,742)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	419,475	26,463	86,527	60,472	28,082	621,019
Changes in Assets, Liabilities, and Deferrals:						
Accounts Receivable	(10,038)	687	(446)	(2,244)	340	(11,701)
Inventory	405	(5,905)	-	-	-	(5,500)
Accounts Payable	8,704	30,422	1,068	1,805	105	42,104
Other Current Liabilities	-	(20,427)	(2,271)	(706)	-	(23,404)
Unearned Revenue	865	544	865	(1,847)	(540)	(113)
Net OPEB Liability	(12,718)	(8,450)	(8,450)	772	-	(28,846)
Net Pension Liability	105,105	99,737	60,722	64,866	-	330,430
Deferred Outflows of Resources - OPEB	1,497	997	997	502	-	3,993
Deferred Outflows of Resources - Pensions	32,936	19,419	11,710	7,554	-	71,619
Deferred Inflows of Resources - Pensions	(126,657)	(95,634)	(57,211)	(51,087)	-	(330,589)
Compensated Absences	4,853	3,843	1,351	151	-	10,198
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 588,368</u>	<u>\$ 173,767</u>	<u>\$ (253,833)</u>	<u>\$ (151,693)</u>	<u>\$ 47,859</u>	<u>\$ 404,468</u>

**CITY OF WINDOM, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2022**

	4th Ave Improvement Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	2013 Street Improvement Bond Fund	2017 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2020 Street Improvement Bond Fund	Intrafund Activity	Total Debt Service Fund
ASSETS									
Cash, Cash Equivalents, and Investments	\$ -	\$ -	\$ 17,917	\$ 429,787	\$ 603,278	\$ 50,591	\$ 835,427	\$ -	\$ 1,937,000
Assessments Receivable	-	-	25,186	346,175	316,546	19,499	792,996	-	1,500,402
Accounts Receivable	-	-	227	1,208	-	-	-	-	1,435
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,330</u>	<u>\$ 777,170</u>	<u>\$ 919,824</u>	<u>\$ 70,090</u>	<u>\$ 1,628,423</u>	<u>\$ -</u>	<u>\$ 3,438,837</u>
LIABILITIES									
Accounts Payable	\$ -	\$ -	\$ 3,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,750
Due to Other Funds	-	198,174	-	-	-	-	-	-	198,174
Total Liabilities	-	198,174	3,750	-	-	-	-	-	201,924
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue: Special Assessments	-	-	25,186	346,175	316,546	19,499	792,996	-	1,500,402
FUND BALANCE									
Restricted	-	-	14,394	430,995	603,278	50,591	835,427	(198,174)	1,736,511
Unassigned	-	(198,174)	-	-	-	-	-	198,174	-
Total Fund Balance	<u>-</u>	<u>(198,174)</u>	<u>14,394</u>	<u>430,995</u>	<u>603,278</u>	<u>50,591</u>	<u>835,427</u>	<u>-</u>	<u>1,736,511</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,330</u>	<u>\$ 777,170</u>	<u>\$ 919,824</u>	<u>\$ 70,090</u>	<u>\$ 1,628,423</u>	<u>\$ -</u>	<u>\$ 3,438,837</u>

CITY OF WINDOM, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	4th Ave Improvement Bond Fund	2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	2013 Street Improvement Bond Fund	2017 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2020 Street Improvement Bond Fund	Intrafund Activity	Total Debt Service Fund
REVENUES									
Taxes	\$ -	\$ 86,654	\$ 50,627	\$ 94,598	\$ 85,716	\$ 31,309	\$ 161,087	\$ -	\$ 509,991
Special Assessments	-	590	12,619	86,083	40,125	-	182,584	-	322,001
Interest Income:									
Investments	-	-	-	-	4,675	-	-	-	4,675
TOTAL REVENUES	-	87,244	63,246	180,681	130,516	31,309	343,671	-	836,667
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	576	-	-	576
Capital Outlay	-	-	-	-	-	-	2,039	-	2,039
Debt Service:									
Principal	-	80,000	115,000	140,000	130,000	50,000	150,000	-	665,000
Interest and Other Charges	-	3,526	13,155	29,225	80,998	1,425	95,679	-	224,008
TOTAL EXPENDITURES	-	83,526	128,155	169,225	210,998	52,001	247,718	-	891,623
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	3,718	(64,909)	11,456	(80,482)	(20,692)	95,953	-	(54,956)
OTHER FINANCING SOURCES (USES)									
Transfers In	41,159	-	37,236	-	80,810	27,248	-	-	186,453
NET CHANGE IN FUND BALANCE	41,159	3,718	(27,673)	11,456	328	6,556	95,953	-	131,497
FUND BALANCE - BEGINNING	(41,159)	(201,892)	42,067	419,539	602,950	44,035	739,474	-	1,605,014
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ (198,174)</u>	<u>\$ 14,394</u>	<u>\$ 430,995</u>	<u>\$ 603,278</u>	<u>\$ 50,591</u>	<u>\$ 835,427</u>	<u>\$ -</u>	<u>\$ 1,736,511</u>

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
<u>General Obligation Bonds</u>									
GO Refunding Bonds, Series 2012A	2012	0.55-2.20%	2023	\$ 980,000	\$ 165,000	\$ -	\$ 80,000	\$ 85,000	\$ 85,000
GO Equipment Bonds, Series 2013B	2013	0.70-1.90%	2023	615,000	150,000	-	75,000	75,000	75,000
GO Improvement Bonds, Series 2017A	2017	3.00-3.25%	2039	2,870,000	2,625,000	-	130,000	2,495,000	135,000
GO Improvement Bonds, Series 2017C (2009A Refund)	2017	2.00%	2025	830,000	485,000	-	115,000	370,000	120,000
GO Improvement Bonds, Series 2018A	2018	3.00-3.40%	2026	1,015,000	750,000	-	140,000	610,000	145,000
GO Improvement Bonds, Series 2020B	2020	2.25-3.00%	2041	3,135,000	3,135,000	-	135,000	3,000,000	140,000
GO Improvement Bonds, Series 2020C	2020	2.00-3.00	2041	345,000	345,000	-	15,000	330,000	15,000
GO Refunding Bonds, Series 2020D (2013A Refund)	2020	1.15-2.00%	2034	1,600,000	1,600,000	-	140,000	1,460,000	145,000
GO Refunding Bonds, Series 2020D (2016 Lease Refund)	2020	1.15-2.00%	2037	1,680,000	1,680,000	-	85,000	1,595,000	95,000
<i>Subtotal</i>				13,070,000	10,935,000	-	915,000	10,020,000	955,000
<u>Leases</u>									
Police 2021 Equinox	2022	3.97%	2026	13,348	-	13,348	2,821	10,527	2,935
Police 2022 Ford Interceptor	2022	6.71%	2027	26,373	-	26,373	2,552	23,821	4,794
Police 2017 Ford Interceptor	2022	5.00%	2023	7,271	-	7,271	4,290	2,981	2,981
Police 2020 Ford F150	2022	5.00%	2025	20,970	-	20,970	6,094	14,876	6,406
Police 2021 Ford Interceptor	2022	4.00%	2025	28,483	-	28,483	7,543	20,940	7,850
Police 2019 Ford Interceptor	2022	7.25%	2024	15,456	-	15,456	7,129	8,327	7,663
Police 2019 Ford F150	2022	3.60%	2024	29,322	-	29,322	11,825	17,497	12,258
Police Equipment	2022	5.00%	2025	14,697	-	14,697	4,155	10,542	4,368
<i>Subtotal</i>				155,920	-	155,920	46,409	109,511	49,255
TOTAL GOVERNMENTAL DEBTS				13,225,920	10,935,000	155,920	961,409	10,129,511	1,004,255

CITY OF WINDOM, MINNESOTA
SCHEDULE OF INDEBTEDNESS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
ENTERPRISE INDEBTEDNESS									
<u>General Obligation Bonds</u>									
GO Refunding Bonds, Series 2012A	2012	0.55-2.20%	2023	680,000	70,000	-	35,000	35,000	35,000
GO Improvement Bonds, Series 2017A	2017	3.00-3.25%	2039	1,150,000	1,020,000	-	50,000	970,000	50,000
GO Equipment - Telecom Upgrade	2017	3.00%	2027	855,000	595,000	-	95,000	500,000	100,000
GO Equipment Certificates, Series 2018A	2018	3.00-3.40%	2038	1,095,000	965,000	-	45,000	920,000	45,000
GO Improvement Bonds, Series 2020B	2020	2.25-3.00%	2041	1,105,000	1,105,000	-	45,000	1,060,000	45,000
GO Refunding Bonds, Series 2020D (2011A Refund)	2020	1.15-2.00%	2029	1,805,000	1,805,000	-	215,000	1,590,000	225,000
GO Refunding Bonds, Series 2020D (2013A Refund)	2020	1.15-2.00%	2034	<u>1,230,000</u>	<u>1,230,000</u>	<u>-</u>	<u>85,000</u>	<u>1,145,000</u>	<u>85,000</u>
<i>Subtotal</i>				7,920,000	6,790,000	-	570,000	6,220,000	585,000
<u>General Obligation Revenue Bonds</u>									
GO Revenue Hospital Bonds, Series 2014A	2014	1.00%	2034	5,600,000	4,275,000	-	240,000	4,035,000	245,000
Communication System Refunding Bonds, Series 2020A	2020	1.95%	2032	<u>7,820,000</u>	<u>7,249,000</u>	<u>-</u>	<u>596,000</u>	<u>6,653,000</u>	<u>611,000</u>
<i>Subtotal</i>				13,420,000	11,524,000	-	836,000	10,688,000	856,000
<u>Leases</u>									
Telecom Ford F250XL	2022	7.40%	2027	27,299	-	27,299	1,574	25,725	4,792
<u>Notes Payable</u>									
River Bluff Townhomes - Bank of the West	2001	2.01%	2031	488,847	224,423	-	21,111	203,312	19,000
River Bluff Townhomes - MHFA	2001	0.00%	2031	353,305	353,305	-	-	353,305	-
River Bluff Townhomes - GMHF	2001	0.00%	2031	180,000	149,079	2,997	-	152,076	-
Water Purchase - Red Rock Rural Water System	2023	0.00%	2023	230,000	38,334	-	23,000	15,334	15,333
CWRF Wastewater Treatment Plant	2019	1.00%	2038	9,624,333	7,055,310	-	577,386	6,477,924	583,000
PPP Loan	2020	1.00%	2022	<u>1,929,500</u>	<u>1,929,500</u>	<u>-</u>	<u>1,929,500</u>	<u>-</u>	<u>-</u>
<i>Subtotal</i>				12,805,985	9,749,951	2,997	2,550,997	7,201,951	617,333
TOTAL ENTERPRISE DEBTS				<u>34,173,284</u>	<u>28,063,951</u>	<u>30,296</u>	<u>3,958,571</u>	<u>24,135,676</u>	<u>2,063,125</u>
TOTAL INDEBTEDNESS				<u>\$ 47,399,204</u>	<u>\$ 38,998,951</u>	<u>\$ 186,216</u>	<u>\$ 4,919,980</u>	<u>\$ 34,265,187</u>	<u>\$ 3,067,380</u>

OTHER REQUIRED REPORTS

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

Honorable Mayor and City Council
City of Windom, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Windom's basic financial statements and have issued our report thereon dated July 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Windom's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying *Schedule of Findings and Responses* to be a material weaknesses: 2021-001.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

City's Response to Findings

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

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

July 14, 2023

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS

Finding 2021-001

Financial Statement Preparation

<i>Condition:</i>	Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. It is management's responsibility to provide for the preparation of financial statements and the auditor's responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.
<i>Criteria:</i>	Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.
<i>Cause:</i>	The City's staff either does not possess the expertise or the capacity to prepare financial statements internally. This is not unusual for an entity of your size.
<i>Effect:</i>	The inability to internally prepare the City's financial statements can result in undetected errors in financial reporting.
<i>Recommendation:</i>	We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to eliminate this finding.
<i>Views of Responsible Officials And Planned Corrective Actions:</i>	Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF WINDOM, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Financial Statement Preparation

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