

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 22, 2020

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., under existing federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. No opinion will be expressed regarding other state of federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF WINDOM, MINNESOTA (Cottonwood County)

\$6,675,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020D

PROPOSAL OPENING: November 5, 2020, 10:00 A.M., C.T. **CONSIDERATION:** November 5, 2020, 2:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$6,675,000* General Obligation Refunding Bonds, Series 2020D (the "Bonds") are authorized pursuant to Minnesota Statutes, Sections 115.46, 475.521 and 475.67, and Chapters 429, 444, 475, by the City of Windom, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

DATE OF BONDS: December 3, 2020

MATURITY: February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2022 | \$585,000 | 2028 | \$585,000 | 2034 | \$305,000 |
| 2023 | 605,000 | 2029 | 590,000 | 2035 | 120,000 |
| 2024 | 605,000 | 2030 | 290,000 | 2036 | 120,000 |
| 2025 | 620,000 | 2031 | 295,000 | 2037 | 120,000 |
| 2026 | 610,000 | 2032 | 300,000 | | |
| 2027 | 625,000 | 2033 | 300,000 | | |

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$6,594,900.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$133,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Fryberger, Buchanan, Smith & Frederick, P.A.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

| | | | |
|---|----|--|-----|
| INTRODUCTORY STATEMENT. | 1 | FINANCIAL STATEMENTS. | A-1 |
| THE BONDS. | 1 | FORM OF LEGAL OPINION. | B-1 |
| GENERAL. | 1 | BOOK-ENTRY-ONLY SYSTEM. | C-1 |
| OPTIONAL REDEMPTION. | 2 | FORM OF CONTINUING DISCLOSURE UNDERTAKING. . | D-1 |
| AUTHORITY; PURPOSE. | 2 | TERMS OF PROPOSAL. | E-1 |
| ESTIMATED SOURCES AND USES. | 4 | | |
| SECURITY. | 5 | | |
| RATING. | 5 | | |
| CONTINUING DISCLOSURE. | 6 | | |
| LEGAL OPINION. | 6 | | |
| TAX EXEMPTION. | 7 | | |
| QUALIFIED TAX-EXEMPT OBLIGATIONS. | 9 | | |
| MUNICIPAL ADVISOR. | 9 | | |
| MUNICIPAL ADVISOR AFFILIATED COMPANIES. . . . | 9 | | |
| INDEPENDENT AUDITORS. | 9 | | |
| RISK FACTORS. | 10 | | |
| VALUATIONS. | 12 | | |
| OVERVIEW. | 12 | | |
| CURRENT PROPERTY VALUATIONS. | 13 | | |
| 2019/20 NET TAX CAPACITY BY CLASSIFICATION. . . | 14 | | |
| TREND OF VALUATIONS. | 14 | | |
| LARGER TAXPAYERS. | 15 | | |
| DEBT. | 16 | | |
| DIRECT DEBT. | 16 | | |
| SCHEDULES OF BONDED INDEBTEDNESS. | 17 | | |
| DEBT LIMIT. | 25 | | |
| OVERLAPPING DEBT. | 25 | | |
| DEBT RATIOS. | 26 | | |
| DEBT PAYMENT HISTORY. | 26 | | |
| FUTURE FINANCING. | 26 | | |
| TAX RATES, LEVIES AND COLLECTIONS. | 27 | | |
| TAX LEVIES AND COLLECTIONS. | 27 | | |
| TAX CAPACITY RATES. | 27 | | |
| LEVY LIMITS. | 28 | | |
| THE ISSUER. | 29 | | |
| CITY GOVERNMENT. | 29 | | |
| EMPLOYEES; PENSIONS; UNIONS. | 29 | | |
| POST EMPLOYMENT BENEFITS. | 29 | | |
| LITIGATION. | 29 | | |
| MUNICIPAL BANKRUPTCY. | 30 | | |
| FUNDS ON HAND. | 30 | | |
| ENTERPRISE FUNDS. | 31 | | |
| SUMMARY GENERAL FUND INFORMATION. | 33 | | |
| GENERAL INFORMATION. | 34 | | |
| LOCATION. | 34 | | |
| LARGER EMPLOYERS. | 34 | | |
| BUILDING PERMITS. | 35 | | |
| U.S. CENSUS DATA. | 36 | | |
| EMPLOYMENT/UNEMPLOYMENT DATA. | 36 | | |

CITY OF WINDOM CITY COUNCIL

| | | <u>Term Expires</u> |
|---------------|----------------|---------------------|
| Dominic Jones | Mayor | January 2021 |
| Marvin Grunig | Council Member | January 2021 |
| James Nelson | Council Member | January 2023 |
| Jenny Quade | Council Member | January 2023 |
| JoAnn Ray | Council Member | January 2023 |
| Vacant** | Council Member | January 2021 |

ADMINISTRATION

Steven Nasby, City Administrator

Chelsie Carlson, Finance Director/Controller

Denise Nichols, Finance & Information System Analyst

** Member Rodney Byam resigned his seat September 1, 2020.
The seat will remain vacant until November election.

PROFESSIONAL SERVICES

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Windom, Minnesota (the "City") and the issuance of its \$6,675,000* General Obligation Refunding Bonds, Series 2020D (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution").

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 3, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Sections 115.46, 475.521 and 475.67, and Chapters 429, 444, and 475, for the purposes of effecting a current refunding of the City's: (i) \$3,090,000 General Obligation Water and Sewer Revenue Bonds, Series 2011A (the "Series 2011A Bonds" or "Series 2011A Refunding Portion"); (ii) \$4,400,000 General Obligation Improvement Bonds, Series 2013A (the "Series 2013A Bonds" or "Series 2013A Refunding Portion"); and (iii) \$2,034,000 Lease with Option to Purchase Agreement of 2016 (the "2016 Lease" or "2016 Lease Refunding Portion").

Minnesota Statutes, Section 475.521, adopted by the 2003 Minnesota State Legislature and amended in 2005, allows cities and towns to plan for and finance the acquisition and betterment of public lands, buildings, and certain other improvements within the municipality, including financing the construction of city halls, town halls, libraries, public safety, and public works facilities. Annual principal and interest payments on general obligation capital improvement bonds are limited to .16% of the City's estimated market value. The estimated market value of the City for taxes collectible in 2019 is \$297,116,700. This results in a maximum annual debt service allowable of \$475,387 for general obligation capital improvement bonds outstanding at any time.

| Issue Being Refunded | Date of Refunded Issue | Call Date | Call Price | Maturities Being Refunded | Interest Rates | Principal to be Refunded | CUSIP Base 973449 |
|---|------------------------------|--------------|---------------|---------------------------------|-------------------|--------------------------------|-------------------------|
| Series 2011A Bonds | 12/8/11 | 2/1/21 | Par | 2022 | 2.350% | \$220,000 | KZ3 |
| | | | | 2023 | 2.450% | 230,000 | LA7 |
| | | | | 2024 | 2.600% | 235,000 | LB5 |
| | | | | 2025 | 2.750% | 240,000 | LC3 |
| | | | | 2026 | 2.900% | 245,000 | LD1 |
| | | | | 2029 (Term) | 4.000% | <u>710,000</u> | LG4 |
| Total Series 2011A Bonds Being Refunded | | | | | | \$1,880,000 | |

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2021 from the Debt Service Account for the Series 2011A Bonds.

| Issue Being Refunded | Date of Refunded Issue | Call Date | Call Price | Maturities Being Refunded | Interest Rates | Principal to be Refunded | CUSIP Base 973449 |
|---|------------------------|-----------|------------|---------------------------|----------------|--------------------------|-------------------|
| Series 2013A Bonds | 6/4/13 | 2/1/21 | Par | 2022 | 2.000% | \$230,000 | MH1 |
| | | | | 2023 | 2.000% | 230,000 | MJ7 |
| | | | | 2024 | 2.000% | 230,000 | MK4 |
| | | | | 2025 | 2.250% | 245,000 | ML2 |
| | | | | 2026 | 2.375% | 245,000 | MM0 |
| | | | | 2027 | 2.500% | 255,000 | MN8 |
| | | | | 2028 | 2.625% | 260,000 | MP3 |
| | | | | 2029 | 2.750% | 265,000 | MQ1 |
| | | | | 2031 (Term) | 3.000% | 365,000 | MS7 |
| | | | | 2033 (Term) | 3.250% | 385,000 | MU2 |
| | | | | 2034 | 3.500% | <u>205,000</u> | MV0 |
| Total Series 2013A Bonds Being Refunded | | | | | | <u>\$2,915,000</u> | |

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2021 from the Debt Service Account for the Series 2013A Bonds.

| Issue Being Refunded | Date of Refunded Issue | Call Date | Call Price | Maturities Being Refunded | Interest Rates | Principal to be Refunded | CUSIP Base N/A |
|---------------------------------|------------------------|-----------|------------|---------------------------|----------------|--------------------------|----------------|
| 2016 Lease | 12/15/16 | 2/1/21 | Par | 2022 | 2.790% | \$87,000 | |
| | | | | 2023 | 2.790% | 89,000 | |
| | | | | 2024 | 2.790% | 92,000 | |
| | | | | 2025 | 2.790% | 94,000 | |
| | | | | 2026 | 2.790% | 97,000 | |
| | | | | 2027 | 2.790% | 99,000 | |
| | | | | 2028 | 2.790% | 102,000 | |
| | | | | 2029 | 2.790% | 105,000 | |
| | | | | 2030 | 2.790% | 108,000 | |
| | | | | 2031 | 2.790% | 111,000 | |
| | | | | 2032 | 2.790% | 114,000 | |
| | | | | 2033 | 2.790% | 117,000 | |
| | | | | 2034 | 2.790% | 120,000 | |
| | | | | 2035 | 2.790% | 124,000 | |
| | | | | 2036 | 2.790% | 127,000 | |
| | | | | 2037 | 2.790% | <u>131,000</u> | |
| Total 2016 Lease Being Refunded | | | | | | <u>\$1,717,000</u> | |

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2021 from the Rental Payments Account for the 2016 Lease.

ESTIMATED SOURCES AND USES*

| Sources | Series 2011A Refunding Portion | Series 2013A Refunding Portion | 2016 Lease Refunding Portion | Total Bond Issue |
|----------------------|---|---|------------------------------------|---------------------|
| Par Amount of Bonds | <u>\$1,930,000</u> | <u>\$2,990,000</u> | <u>\$1,755,000</u> | <u>\$6,675,000</u> |
| Total Sources | \$1,930,000 | \$2,990,000 | \$1,755,000 | \$6,675,000 |

| Uses | | | | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Total Underwriter's Discount (1.200%) | \$23,160 | \$35,880 | \$21,060 | \$80,100 |
| Costs of Issuance | 22,553 | 34,939 | 20,508 | 78,000 |
| Deposit to Current Refunding Fund | 1,880,000 | 2,915,000 | 1,717,000 | 6,512,000 |
| Rounding Amount | <u>4,287</u> | <u>4,181</u> | <u>(3,568)</u> | <u>4,900</u> |
| Total Uses | \$1,930,000 | \$2,990,000 | \$1,755,000 | \$6,675,000 |

Breakdown of Principal Payments:

| Payment Date | Series 2011A Refunding Portion | Series 2013A Refunding Portion | 2016 Lease Refunding Portion | Total Bond Issue |
|-----------------|--------------------------------------|--------------------------------------|------------------------------------|---------------------|
| 2/01/2022 | \$240,000 | \$250,000 | \$95,000 | \$585,000 |
| 2/01/2023 | 250,000 | 250,000 | 105,000 | 605,000 |
| 2/01/2024 | 250,000 | 250,000 | 105,000 | 605,000 |
| 2/01/2025 | 250,000 | 265,000 | 105,000 | 620,000 |
| 2/01/2026 | 250,000 | 255,000 | 105,000 | 610,000 |
| 2/01/2027 | 260,000 | 260,000 | 105,000 | 625,000 |
| 2/01/2028 | 215,000 | 265,000 | 105,000 | 585,000 |
| 2/01/2029 | 215,000 | 265,000 | 110,000 | 590,000 |
| 2/01/2030 | - | 180,000 | 110,000 | 290,000 |
| 2/01/2031 | - | 185,000 | 110,000 | 295,000 |
| 2/01/2032 | - | 190,000 | 110,000 | 300,000 |
| 2/01/2033 | - | 185,000 | 115,000 | 300,000 |
| 2/01/2034 | - | 190,000 | 115,000 | 305,000 |
| 2/01/2035 | - | - | 120,000 | 120,000 |
| 2/01/2036 | - | - | 120,000 | 120,000 |
| 2/01/2037 | <u>-</u> | <u>-</u> | <u>120,000</u> | <u>120,000</u> |
| Total | \$1,930,000 | \$2,990,000 | \$1,755,000 | \$6,675,000 |

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service on the Series 2011A Refunding Portion of the Bonds will be paid entirely from net revenues of the water and sewer systems ("utility revenues") which are owned and operated by the City. Should the revenues pledged for payment of the Series 2011A Refunding Portion of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount. Receipt net utility revenues of the water and sewer systems will be sufficient to provide not less than 105% of principal and interest on the Series 2011A Portion of the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Series 2013A Refunding Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Series 2013A Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Series 2013A Refunding Portion of the Bonds as required by Minnesota law.

The City anticipates that the debt service on the 2016 Lease Refunding Portion of the Bonds will be paid entirely from ad valorem property taxes, less any transfers from the Electric Fund, Liquor Fund and Windom Area Hospital Fund as originally used but not pledged to reduce the tax levy on an annual basis. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the 2016 Lease Refunding Portion of the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

Should the special assessments and utility revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy an additional tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A+" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City's Continuing Disclosure Certificates for the \$4,400,000 General Obligation Improvement Bonds, Series 2013A and the \$615,000 General Obligation Bonds, Series 2013B require the section "Debt Limit" to be updated annually. The operating data annual reports for fiscal year 2017 and 2018 are missing the "Debt Limit" section. A corrective report was filed February 25, 2020. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of this Official Statement and under the caption "TAX EXEMPTION" relating to Bond Counsel's opinion that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in this Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

The following is a summary of certain U. S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS") in addition to existing federal and Minnesota laws, regulations, rulings and decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or any other authority with jurisdiction over such matters (including a court) will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

Tax-Exempt Interest

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City, under existing federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income. Accordingly, the City has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Premium Bonds

A bondholder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the bondholder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates and trusts. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Discount Bonds

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond). Bondholders should consult their tax advisers for an explanation of accrual.

Collateral Tax Matters

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion regarding such consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences.

Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the bondholder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the bondholder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain bondholders are exempt from information reporting. Potential bondholders should consult their tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

Federal and State Tax Law Developments

From time to time, legislative proposals are introduced in Congress and in the states which, if enacted, could alter or amend the federal and state tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to bonds (such as the Bonds contemplated herein) issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The above, including the discussion concerning collateral tax matters, is not intended to be a comprehensive list of all federal or state tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds should consult their tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2019 have been audited by CliftonLarsonAllen LLP, Rochester Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments and utility revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

| Type of Property | 2017/18 | 2018/19 | 2019/20 |
|--|--|--|--|
| Residential homestead ¹ | First \$500,000 - 1.00% Over \$500,000 - 1.25% | First \$500,000 - 1.00% Over \$500,000 - 1.25% | First \$500,000 - 1.00% Over \$500,000 - 1.25% |
| Agricultural homestead ¹ | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ² | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ² | First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ² |
| Agricultural non-homestead | Land - 1.00% ² | Land - 1.00% ² | Land - 1.00% ² |
| Seasonal recreational residential | First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³ | First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³ | First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³ |
| Residential non-homestead: | 1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25% | 1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25% | 1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25% |
| Industrial/Commercial/Utility ⁵ | First \$150,000 - 1.50% Over \$150,000 - 2.00% | First \$150,000 - 1.50% Over \$150,000 - 2.00% | First \$150,000 - 1.50% Over \$150,000 - 2.00% |

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value

\$315,680,659¹

| | 2019/20 Assessor's Estimated Market Value | 2019/20 Net Tax Capacity |
|--|--|---|
| Real Estate | \$295,614,000 | \$3,409,933 |
| Personal Property | <u>1,502,700</u> | <u>27,791</u> |
| Total Valuation | <u>\$297,116,700</u> | <u>\$3,437,724</u> |
| Less: Captured Tax Increment Tax Capacity ² | | <u>(579,370)</u> |
| Taxable Net Tax Capacity | | <u>\$2,858,354</u> |

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 94.11% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$315,680,659.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2019/20 NET TAX CAPACITY BY CLASSIFICATION

| | 2019/20 Net Tax Capacity | Percent of Total Net Tax Capacity |
|--|-----------------------------|--------------------------------------|
| Residential homestead | \$1,355,086 | 39.42% |
| Agricultural | 24,253 | 0.71% |
| Commercial/industrial | 1,703,969 | 49.57% |
| Railroad operating property | 11,090 | 0.32% |
| Non-homestead residential | 315,142 | 9.17% |
| Commercial & residential seasonal/rec. | 393 | 0.01% |
| Personal property | 27,791 | 0.81% |
| Total | <u>\$3,437,724</u> | <u>100.00%</u> |

TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity ¹ | Taxable Net Tax Capacity ² | Percent +/- in Estimated Market Value |
|--------------|---|---------------------------------------|----------------------------------|---|---|
| 2015/16 | \$ 221,320,800 | \$ 185,939,263 | \$2,282,058 | \$2,007,996 | + 4.59% |
| 2016/17 | 250,119,600 | 214,900,731 | 2,699,736 | 2,227,536 | + 13.01% |
| 2017/18 | 270,916,400 | 235,586,958 | 3,108,262 | 2,460,740 | + 8.31% |
| 2018/19 | 273,390,100 | 237,213,904 | 3,116,783 | 2,463,214 | + 0.91% |
| 2019/20 | 297,116,700 | 260,700,385 | 3,437,724 | 2,858,354 | + 8.68% |

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS¹

| Taxpayer | Type of Property | 2019/20 Net Tax Capacity | Percent of City's Total Net Tax Capacity |
|-------------------------------------|-------------------------|---|---|
| Prime Pork, LLC | Industrial | \$ 240,802 | 7.00% |
| Vereit ID Windom Minnesota, LLC | Commercial | 179,870 | 5.23% |
| Fast Manufacturing, Inc. | Industrial | 155,590 | 4.53% |
| Toro Company | Industrial | 147,088 | 4.28% |
| Windstream Inns., LLC | Commercial | 72,376 | 2.11% |
| Global Investment Prop., LLC | Commercial | 71,020 | 2.07% |
| New Vision Co-op | Industrial | 54,083 | 1.57% |
| Evangelical Lutheran Good Samaritan | Apartments | 45,547 | 1.32% |
| Windom Properties, LLC | Commercial | 39,666 | 1.15% |
| Runnings | Commercial | 36,070 | 1.05% |
| Total | | <u>\$1,042,112</u> | <u>30.31%</u> |

City's Total 2019/20 Net Tax Capacity \$3,437,724

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Cottonwood County.

¹ In 2019, the estimated median commercial and industrial sales ratio used to equalize utility values in Cottonwood County dropped below 90% to 84%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

| | |
|---|----------------------|
| Total G.O. debt secured by special assessments and taxes (includes the Series 2013A Refunding Portion of the Bonds)* | \$ 11,505,000 |
| Total G.O. debt secured by tax increment revenues | 885,000 |
| Total G.O. debt secured by taxes (includes the 2016 Lease Refunding Portion of the Bonds)* | 3,600,000 |
| Total G.O. debt secured by utility revenues (includes the Series 2011A Refunding Portion of the Bonds)* | 11,756,000 |
| Total General Obligation Debt | <u>\$ 27,746,000</u> |

Lease Purchase Obligations (see schedule following)

| | |
|---|-----------------|
| Total lease purchase obligations paid by annual appropriations ² | <u>\$84,000</u> |
|---|-----------------|

Limited Obligation Debt (see schedule following)

| | |
|--|--------------------|
| Total limited obligation debt secured by hospital revenues | <u>\$4,275,000</u> |
|--|--------------------|

Special Obligation Debt (see schedule following)

| | |
|---|--------------------|
| Total special obligation debt secured by municipal broadband communication revenues | <u>\$7,820,000</u> |
|---|--------------------|

Other Obligations - Windom Economic Development Authority

| Issue Date | Original Amount | Purpose | Final Maturity | Principal Outstanding |
|------------|-----------------|---|----------------|-----------------------|
| 6/18/01 | \$488,847 | Multifamily Housing Development Revenue Bond, Series 2001 (River Bluff Townhomes) | 12/18/32 | \$265,420 |

¹ Outstanding debt is as of the dated date of the Bonds.

² Non-general obligation debt has not been included in the debt ratios.

City of Windom, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 12/03/2020)

| Dated Amount Maturity | Refunding Bonds 1) Series 2012A | | Improvement Bonds Series 2013A | | Improvement Bonds 2) Series 2013B | | Improvement Bonds 3) Series 2017A | | Improvement Refunding Bonds Series 2017C | |
|---------------------------------|--------------------------------------|--|--------------------------------------|--|--------------------------------------|----------|--------------------------------------|----------|---|----------|
| | 06/13/2012 \$980,000 02/01 | 06/04/2013 \$4,400,000 02/01 | 06/04/2013 \$190,000 02/01 | 06/15/2017 \$2,870,000 02/01 | 12/14/2017 \$830,000 02/01 | | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | 115,000 | 4,505 | 230,000 | 40,428 | 20,000 | 1,100 | 125,000 | 82,720 | 115,000 | 10,850 |
| 2022 | 80,000 | 2,670 | | | 25,000 | 713 | 130,000 | 78,895 | 115,000 | 8,550 |
| 2023 | 85,000 | 935 | | | 25,000 | 238 | 135,000 | 74,920 | 120,000 | 6,200 |
| 2024 | | | | | | | 135,000 | 70,870 | 125,000 | 3,750 |
| 2025 | | | | | | | 140,000 | 66,745 | 125,000 | 1,250 |
| 2026 | | | | | | | 145,000 | 62,470 | | |
| 2027 | | | | | | | 150,000 | 58,045 | | |
| 2028 | | | | | | | 155,000 | 53,470 | | |
| 2029 | | | | | | | 160,000 | 48,745 | | |
| 2030 | | | | | | | 165,000 | 43,870 | | |
| 2031 | | | | | | | 170,000 | 38,845 | | |
| 2032 | | | | | | | 175,000 | 33,670 | | |
| 2033 | | | | | | | 180,000 | 28,345 | | |
| 2034 | | | | | | | 120,000 | 23,695 | | |
| 2035 | | | | | | | 125,000 | 19,714 | | |
| 2036 | | | | | | | 130,000 | 15,538 | | |
| 2037 | | | | | | | 135,000 | 11,165 | | |
| 2038 | | | | | | | 135,000 | 6,744 | | |
| 2039 | | | | | | | 140,000 | 2,275 | | |
| 2040 | | | | | | | | | | |
| 2041 | | | | | | | | | | |
| | 280,000 | 8,110 | 230,000 | 40,428 | 70,000 | 2,050 | 2,750,000 | 820,740 | 600,000 | 30,600 |

1) This represents the \$980,000 Series 2005A Refunding portion of the \$1,640,000 General Obligation Refunding Bonds, Series 2012A.

2) This represents the \$190,000 Improvement portion of the \$615,000 General Obligation Bonds, Series 2013B.

3) This represents the \$2,870,000 Improvement portion of the \$4,020,000 General Obligation Improvement and Utility Revenue Bonds, Series 2017A.

--Continued on next page

City of Windom, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 12/03/2020)

| Dated Amount | Improvement Bonds Series 2020B | | Improvement Bonds Series 2020C | | Refunding Bonds 4) Series 2020D | | Calendar Year Ending |
|----------------------------|-----------------------------------|-----------|-----------------------------------|----------|------------------------------------|-----------------------|----------------------------|
| | 05/27/2020 \$4,240,000 | 02/01 | 05/27/2020 \$345,000 | 02/01 | 12/03/2020 \$2,990,000* | 02/01 | |
| Maturity | 02/01 | | 02/01 | | | | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Estimated Interest | |
| 2021 | 0 | 130,733 | 0 | 10,865 | 0 | 23,486 | 2021 |
| 2022 | 180,000 | 108,300 | 15,000 | 9,000 | 250,000 | 31,160 | 2022 |
| 2023 | 185,000 | 102,825 | 15,000 | 8,550 | 250,000 | 29,848 | 2023 |
| 2024 | 190,000 | 97,200 | 15,000 | 8,100 | 250,000 | 28,410 | 2024 |
| 2025 | 190,000 | 91,500 | 20,000 | 7,575 | 265,000 | 26,733 | 2025 |
| 2026 | 195,000 | 85,725 | 20,000 | 6,975 | 255,000 | 24,721 | 2026 |
| 2027 | 205,000 | 79,725 | 20,000 | 6,375 | 260,000 | 22,338 | 2027 |
| 2028 | 210,000 | 73,500 | 20,000 | 5,775 | 265,000 | 19,580 | 2028 |
| 2029 | 215,000 | 67,125 | 20,000 | 5,175 | 265,000 | 16,466 | 2029 |
| 2030 | 220,000 | 60,600 | 20,000 | 4,675 | 180,000 | 13,595 | 2030 |
| 2031 | 230,000 | 53,850 | 20,000 | 4,263 | 185,000 | 10,993 | 2031 |
| 2032 | 240,000 | 48,000 | 20,000 | 3,825 | 190,000 | 8,085 | 2032 |
| 2033 | 245,000 | 43,150 | 20,000 | 3,363 | 185,000 | 4,993 | 2033 |
| 2034 | 250,000 | 38,044 | 20,000 | 2,875 | 190,000 | 1,710 | 2034 |
| 2035 | 255,000 | 32,519 | 20,000 | 2,375 | | | 2035 |
| 2036 | 255,000 | 26,781 | 20,000 | 1,875 | | | 2036 |
| 2037 | 185,000 | 21,716 | 10,000 | 1,494 | | | 2037 |
| 2038 | 185,000 | 17,322 | 10,000 | 1,231 | | | 2038 |
| 2039 | 195,000 | 12,688 | 10,000 | 963 | | | 2039 |
| 2040 | 205,000 | 7,688 | 15,000 | 619 | | | 2040 |
| 2041 | 205,000 | 2,563 | 15,000 | 206 | | | 2041 |
| | 4,240,000 | 1,201,552 | 345,000 | 96,153 | 2,990,000 | 262,116 | |
| | | | | | 11,505,000 | 2,461,749 | |
| | | | | | 13,966,749 | | |

* Preliminary, subject to change.

4) A portion of this issue will refund the 2022 through 2034 maturities of the City's \$4,400,000 General Obligation Improvement Bonds, Series 2013A, dated June 4, 2013. This represents the \$2,990,000 Series 2013A Refunding portion of the \$6,675,000 General Obligation Refunding Bonds, Series 2020D.

City of Windom, Minnesota

Schedule of Bonded Indebtedness

General Obligation Debt Secured by Tax Increment Revenues

(As of 12/03/2020)

Tax Incremental Revenue Bonds

Series 2018A

[illegible]

City of Windom, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/03/2020)

| Calendar Year Ending | Equipment Certificates 1) Series 2013B | | | | Equipment Certificates Series 2017B | | | | Equipment Certificates Series 2018A | | | | Refunding Bonds 2) Series 2020D | | | | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
|-------------------------|---|-------------------------|-------|----------|--|-------------------------|-------|----------|--|---------------------------|-------|----------|------------------------------------|----------------------------|-------|-----------------------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| | Dated Amount | 06/04/2013 \$425,000 | 02/01 | Interest | Principal | 06/15/2017 \$855,000 | 02/01 | Interest | Principal | 03/28/2018 \$1,095,000 | 02/01 | Interest | Principal | 12/03/2020 \$1,755,000* | 02/01 | Estimated Interest | | | | | | |
| 2021 | | 50,000 | | 2,275 | 90,000 | | | 19,200 | 45,000 | | | 31,134 | 0 | | | 16,736 | 185,000 | 69,345 | 254,345 | 3,415,000 | 5.14% | 2021 |
| 2022 | | 50,000 | | 1,425 | 95,000 | | | 16,425 | 45,000 | | | 29,784 | 95,000 | | | 22,413 | 285,000 | 70,046 | 355,046 | 3,130,000 | 13.06% | 2022 |
| 2023 | | 50,000 | | 475 | 100,000 | | | 13,500 | 45,000 | | | 28,434 | 105,000 | | | 21,886 | 300,000 | 64,295 | 364,295 | 2,830,000 | 21.39% | 2023 |
| 2024 | | | | | 100,000 | | | 10,500 | 45,000 | | | 27,084 | 105,000 | | | 21,283 | 250,000 | 58,866 | 308,866 | 2,580,000 | 28.33% | 2024 |
| 2025 | | | | | 100,000 | | | 7,500 | 50,000 | | | 25,659 | 105,000 | | | 20,600 | 255,000 | 53,759 | 308,759 | 2,325,000 | 35.42% | 2025 |
| 2026 | | | | | 100,000 | | | 4,500 | 50,000 | | | 24,159 | 105,000 | | | 19,786 | 255,000 | 48,445 | 303,445 | 2,070,000 | 42.50% | 2026 |
| 2027 | | | | | 100,000 | | | 1,500 | 50,000 | | | 22,659 | 105,000 | | | 18,815 | 255,000 | 42,974 | 297,974 | 1,815,000 | 49.58% | 2027 |
| 2028 | | | | | | | | | 55,000 | | | 21,084 | 105,000 | | | 17,713 | 160,000 | 38,796 | 198,796 | 1,655,000 | 54.03% | 2028 |
| 2029 | | | | | | | | | 55,000 | | | 19,434 | 110,000 | | | 16,448 | 165,000 | 35,881 | 200,881 | 1,490,000 | 58.61% | 2029 |
| 2030 | | | | | | | | | 55,000 | | | 17,749 | 110,000 | | | 15,018 | 165,000 | 32,767 | 197,767 | 1,325,000 | 63.19% | 2030 |
| 2031 | | | | | | | | | 60,000 | | | 15,953 | 110,000 | | | 13,450 | 170,000 | 29,403 | 199,403 | 1,155,000 | 67.92% | 2031 |
| 2032 | | | | | | | | | 60,000 | | | 14,078 | 110,000 | | | 11,745 | 170,000 | 25,823 | 195,823 | 985,000 | 72.64% | 2032 |
| 2033 | | | | | | | | | 60,000 | | | 12,150 | 115,000 | | | 9,888 | 175,000 | 22,038 | 197,038 | 810,000 | 77.50% | 2033 |
| 2034 | | | | | | | | | 65,000 | | | 10,088 | 115,000 | | | 7,875 | 180,000 | 17,963 | 197,963 | 630,000 | 82.50% | 2034 |
| 2035 | | | | | | | | | 65,000 | | | 7,943 | 120,000 | | | 5,730 | 185,000 | 13,673 | 198,673 | 445,000 | 87.64% | 2035 |
| 2036 | | | | | | | | | 65,000 | | | 5,798 | 120,000 | | | 3,480 | 185,000 | 9,278 | 194,278 | 260,000 | 92.78% | 2036 |
| 2037 | | | | | | | | | 70,000 | | | 3,553 | 120,000 | | | 1,170 | 190,000 | 4,723 | 194,723 | 70,000 | 98.06% | 2037 |
| 2038 | | | | | | | | | 70,000 | | | 1,190 | 120,000 | | | | 70,000 | 1,190 | 71,190 | 0 | 100.00% | 2038 |
| | | 150,000 | | 4,175 | 685,000 | | | 73,125 | 1,010,000 | | | 317,928 | 1,755,000 | | | 244,033 | 3,600,000 | 639,262 | 4,239,262 | | | |

* Preliminary, subject to change.

- 1) This represents the \$425,000 Equipment Certificate portion of the \$615,000 General Obligation Bonds, Series 2013B.
- 2) A portion of this issue will refund the 2022 through 2037 maturities of the City's \$2,034,000 Lease with Option to Purchase Agreement of 2016, dated December 15, 2016.
This represents the \$1,755,000 2016 Lease Refunding portion of the \$6,675,000 General Obligation Refunding Bonds, Series 2020D.

City of Windom, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 12/03/2020)

| Calendar Year Ending | Water and Sewer Revenue Bonds Series 2011A | | Refunding Bonds 1) Series 2012A | | Utility Revenue Bonds 2) Series 2017A | | Revenue Note Series 2019A (CWFI) | | Refunding Bonds 3) Series 2020D | | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
|-------------------------|--|----------|------------------------------------|----------|--|----------|-------------------------------------|----------|------------------------------------|----------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| | Dated Amount | Maturity | Dated Amount | Maturity | Dated Amount | Maturity | Dated Amount | Maturity | Dated Amount | Maturity | | | | | | |
| 2021 | 220,000 | 02/01 | 75,000 | 02/01 | 45,000 | 02/01 | 626,000 | 08/20 | 0 | 02/01 | 966,000 | 161,744 | 1,127,744 | 10,790,000 | 8.22% | 2021 |
| 2022 | | | 35,000 | | 50,000 | | 635,000 | | 240,000 | | 960,000 | 124,633 | 1,084,633 | 9,830,000 | 16.38% | 2022 |
| 2023 | | | 35,000 | | 50,000 | | 642,000 | | 250,000 | | 977,000 | 114,760 | 1,091,760 | 8,853,000 | 24.69% | 2023 |
| 2024 | | | | | 50,000 | | 651,000 | | 250,000 | | 951,000 | 105,018 | 1,056,018 | 7,902,000 | 32.78% | 2024 |
| 2025 | | | | | 50,000 | | 660,000 | | 250,000 | | 960,000 | 95,383 | 1,055,383 | 6,942,000 | 40.95% | 2025 |
| 2026 | | | | | 50,000 | | 668,000 | | 250,000 | | 968,000 | 85,345 | 1,053,345 | 5,974,000 | 49.18% | 2026 |
| 2027 | | | | | 55,000 | | 677,000 | | 260,000 | | 992,000 | 74,728 | 1,066,728 | 4,982,000 | 57.62% | 2027 |
| 2028 | | | | | 55,000 | | 687,000 | | 215,000 | | 957,000 | 63,825 | 1,020,825 | 4,025,000 | 65.76% | 2028 |
| 2029 | | | | | 60,000 | | 297,000 | | 215,000 | | 572,000 | 52,704 | 624,704 | 3,453,000 | 70.63% | 2029 |
| 2030 | | | | | 60,000 | | 301,000 | | 215,000 | | 361,000 | 46,590 | 407,590 | 3,092,000 | 73.70% | 2030 |
| 2031 | | | | | 60,000 | | 305,000 | | | | 365,000 | 41,780 | 406,780 | 2,727,000 | 76.80% | 2031 |
| 2032 | | | | | 60,000 | | 309,000 | | | | 369,000 | 36,930 | 405,930 | 2,358,000 | 79.94% | 2032 |
| 2033 | | | | | 65,000 | | 313,000 | | | | 378,000 | 31,965 | 409,965 | 1,980,000 | 83.16% | 2033 |
| 2034 | | | | | 65,000 | | 317,000 | | | | 382,000 | 26,804 | 408,804 | 1,598,000 | 86.41% | 2034 |
| 2035 | | | | | 70,000 | | 321,000 | | | | 391,000 | 21,440 | 412,440 | 1,207,000 | 89.73% | 2035 |
| 2036 | | | | | 70,000 | | 325,000 | | | | 395,000 | 15,938 | 410,938 | 812,000 | 93.09% | 2036 |
| 2037 | | | | | 75,000 | | 330,000 | | | | 405,000 | 10,295 | 415,295 | 407,000 | 96.54% | 2037 |
| 2038 | | | | | 75,000 | | 332,000 | | | | 407,000 | 4,539 | 411,539 | 0 | 100.00% | 2038 |
| | 220,000 | | 145,000 | | 1,065,000 | | 8,396,000 | | 1,930,000 | | 11,756,000 | 1,114,417 | 12,870,417 | | | |

* Preliminary, subject to change.

- 1) This represents the \$660,000 Series 2005A Utility Refunding and Series 2007B Utility Refunding portions of the \$1,640,000 General Obligation Refunding Bonds, Series 2012A.
- 2) This represents the \$1,150,000 Utility Revenue portion of the \$4,020,000 General Obligation Improvement and Utility Revenue Bonds, Series 2017A.
- 3) A portion of this issue will refund the 2022 through 2029 maturities of the City's \$3,090,000 General Obligation Water and Sewer Revenue Bonds, Series 2011A, dated December 8, 2011.
This represents the \$1,930,000 Series 2011A Refunding portion of the \$6,675,000 General Obligation Refunding Bonds, Series 2020D.

City of Windom, Minnesota

Schedule of Bonded Indebtedness

Non-General Obligation Debt Secured by Annual Appropriation

(As of 12/03/2020)

| Lease w/Option to Purchase Agreement of 2016 | | | | | | | | |
|--|---------------------------|----------|-----------------|----------------|-------------|-----------------------|---------|----------------------|
| Dated Amount | 12/15/2016 \$2,034,000 | | | | | | | |
| Maturity | 02/01 | | | | | | | |
| Calendar Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2021 | 84,000 | 25,124 | 84,000 | 25,124 | 109,124 | 0 | 100.00% | 2021 |
| | 84,000 | 25,124 | 84,000 | 25,124 | 109,124 | | | |

City of Windom, Minnesota

Schedule of Bonded Indebtedness

Limited Obligation Debt Secured by Hospital Revenues

(As of 12/03/2020)

Gross Revenue Hospital Bonds
Series 2014A

| Dated Amount | 12/30/2014 \$5,600,000 | | | | | | | |
|----------------------|---------------------------|-----------|-----------------|----------------|-------------|-----------------------|---------|----------------------|
| Maturity | 09/01 | | | | | | | |
| Calendar Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
| 2021 | 240,000 | 163,533 | 240,000 | 163,533 | 403,533 | 4,035,000 | 5.61% | 2021 |
| 2022 | 245,000 | 156,333 | 245,000 | 156,333 | 401,333 | 3,790,000 | 11.35% | 2022 |
| 2023 | 255,000 | 148,615 | 255,000 | 148,615 | 403,615 | 3,535,000 | 17.31% | 2023 |
| 2024 | 265,000 | 139,945 | 265,000 | 139,945 | 404,945 | 3,270,000 | 23.51% | 2024 |
| 2025 | 270,000 | 130,670 | 270,000 | 130,670 | 400,670 | 3,000,000 | 29.82% | 2025 |
| 2026 | 285,000 | 120,950 | 285,000 | 120,950 | 405,950 | 2,715,000 | 36.49% | 2026 |
| 2027 | 295,000 | 110,405 | 295,000 | 110,405 | 405,405 | 2,420,000 | 43.39% | 2027 |
| 2028 | 305,000 | 99,195 | 305,000 | 99,195 | 404,195 | 2,115,000 | 50.53% | 2028 |
| 2029 | 315,000 | 87,300 | 315,000 | 87,300 | 402,300 | 1,800,000 | 57.89% | 2029 |
| 2030 | 330,000 | 74,700 | 330,000 | 74,700 | 404,700 | 1,470,000 | 65.61% | 2030 |
| 2031 | 345,000 | 61,005 | 345,000 | 61,005 | 406,005 | 1,125,000 | 73.68% | 2031 |
| 2032 | 360,000 | 46,688 | 360,000 | 46,688 | 406,688 | 765,000 | 82.11% | 2032 |
| 2033 | 375,000 | 31,748 | 375,000 | 31,748 | 406,748 | 390,000 | 90.88% | 2033 |
| 2034 | 390,000 | 16,185 | 390,000 | 16,185 | 406,185 | 0 | 100.00% | 2034 |
| | 4,275,000 | 1,387,270 | 4,275,000 | 1,387,270 | 5,662,270 | | | |

City of Windom, Minnesota
Schedule of Bonded Indebtedness
Special Obligation Debt Secured by Municipal Broadband Communication System Revenues
(As of 12/03/2020)

Comm. System Annual App.
Refunding Bonds 1)
Series 2020A

| Dated Amount | 04/27/2020 \$7,820,000 | | |
|-------------------------|---------------------------|-----------|----------------------------|
| Maturity | 06/01 | | |
| Calendar Year Ending | Principal | Interest | Calendar Year Ending |
| 2021 | 571,000 | 146,923 | 2021 |
| 2022 | 596,000 | 135,545 | 2022 |
| 2023 | 611,000 | 123,776 | 2023 |
| 2024 | 619,000 | 111,784 | 2024 |
| 2025 | 631,000 | 99,596 | 2025 |
| 2026 | 643,000 | 87,175 | 2026 |
| 2027 | 660,000 | 74,471 | 2027 |
| 2028 | 671,000 | 61,493 | 2028 |
| 2029 | 685,000 | 48,272 | 2029 |
| 2030 | 699,000 | 34,778 | 2030 |
| 2031 | 711,000 | 21,031 | 2031 |
| 2032 | 723,000 | 7,049 | 2032 |
| | 7,820,000 | 951,893 | |
| | | 8,771,893 | |

| Principal Outstanding | % Paid | Calendar Year Ending |
|--------------------------|---------|----------------------------|
| 7,249,000 | 7.30% | 2021 |
| 6,653,000 | 14.92% | 2022 |
| 6,042,000 | 22.74% | 2023 |
| 5,423,000 | 30.65% | 2024 |
| 4,792,000 | 38.72% | 2025 |
| 4,149,000 | 46.94% | 2026 |
| 3,489,000 | 55.38% | 2027 |
| 2,818,000 | 63.96% | 2028 |
| 2,133,000 | 72.72% | 2029 |
| 1,434,000 | 81.66% | 2030 |
| 723,000 | 90.75% | 2031 |
| 0 | 100.00% | 2032 |

| Total Principal | Total Interest | Total P & I |
|-----------------|----------------|-------------|
| 571,000 | 146,923 | 717,923 |
| 596,000 | 135,545 | 731,545 |
| 611,000 | 123,776 | 734,776 |
| 619,000 | 111,784 | 730,784 |
| 631,000 | 99,596 | 730,596 |
| 643,000 | 87,175 | 730,175 |
| 660,000 | 74,471 | 734,471 |
| 671,000 | 61,493 | 732,493 |
| 685,000 | 48,272 | 733,272 |
| 699,000 | 34,778 | 733,778 |
| 711,000 | 21,031 | 732,031 |
| 723,000 | 7,049 | 730,049 |
| 7,820,000 | 951,893 | 8,771,893 |

1) This issue is not subject to the debt limit.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Series 2013A Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Series 2011A Refunding Portion of the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

| | |
|--|----------------------------|
| 2019/20 Assessor's Estimated Market Value | \$ 297,116,700 |
| Multiply by 3% | <u>0.03</u> |
| Statutory Debt Limit | \$ 8,913,501 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the 2016 Lease Refunding Portion of the Bonds)* | (3,600,000) |
| Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations | <u>(84,000)</u> |
| Unused Debt Limit | <u><u>\$ 5,229,501</u></u> |

OVERLAPPING DEBT¹

| Taxing District | 2019/20 Taxable Net Tax Capacity | % In City | Total G.O. Debt ² | City's Proportionate Share |
|--|--|--------------|---------------------------------|----------------------------------|
| I.S.D. No. 177 (Windom) | \$7,811,680 | 36.5908% | \$30,290,000 ³ | \$11,083,353 |
| City's Share of Total Overlapping Debt | | | | <u><u>\$11,083,353</u></u> |

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does **not** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Currently, the State of Minnesota is paying approximately 31.1% of the principal and interest on the Windom School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$9,420,190. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

| | | Debt/Economic Market Value (\$315,680,659) | Debt/ Current Population Estimate (4,514) |
|--|---------------|---|--|
| Direct G.O. Debt Secured By: | | | |
| Special Assessments & Taxes* | \$ 11,505,000 | | |
| Tax Increment Revenues | 885,000 | | |
| Taxes* | 3,600,000 | | |
| Utility Revenues* | 11,756,000 | | |
| Total General Obligation Debt (includes the Bonds)* | \$ 27,746,000 | | |
| Less: G.O. Debt Paid Entirely from Revenues ¹ | (12,324,000) | | |
| Tax Supported General Obligation Debt* | \$ 15,422,000 | 4.89% | \$3,416.48 |
| City's Share of Total Overlapping Debt ² | \$ 11,083,353 | 3.51% | \$2,455.33 |
| Total | \$ 26,505,353 | 8.40% | \$5,871.81 |

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$3,446,923, the City's net overlapping debt is \$7,636,430, which results in a net overlapping debt/market value ratio of 2.42% and net overlapping debt/current population estimate ratio of \$1,691.72.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy ¹ | Total Collected Following Year | Collected to Date ² | % Collected |
|----------|---------------------------|--------------------------------|--------------------------------|-------------|
| 2015/16 | \$ 1,779,794 | \$1,768,000 | \$1,776,820 | 99.83% |
| 2016/17 | 1,825,477 | 1,807,764 | 1,821,265 | 99.77% |
| 2017/18 | 1,932,315 | 1,910,956 | 1,925,889 | 99.67% |
| 2018/19 | 2,033,171 | 1,991,104 | 1,991,104 | 97.93% |
| 2019/20 | 2,114,536 | In process of collection | | |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

TAX CAPACITY RATES⁴

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-------------------------|---------|---------|---------|---------|---------|
| Cottonwood County | 34.152% | 35.629% | 37.572% | 38.380% | 38.796% |
| City of Windom | 89.002% | 82.380% | 78.827% | 82.845% | 74.163% |
| I.S.D. No. 177 (Windom) | 18.212% | 16.928% | 18.084% | 28.436% | 29.169% |
| Region 8 | 0.144% | 0.135% | 0.144% | 0.148% | 0.149% |

Referendum Market Value Rates:

| | | | | | |
|-------------------------|----------|----------|----------|----------|----------|
| I.S.D. No. 177 (Windom) | 0.29675% | 0.27952% | 0.25095% | 0.28767% | 0.26798% |
|-------------------------|----------|----------|----------|----------|----------|

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Cottonwood County.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2019.

³ Second half tax payments on agricultural property are due on November 15th of each year.

⁴ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1876. The City operates under a home rule charter form of government consisting of a six-member City Council of which the Mayor is not a voting member. The City Administrator, Finance Assistant/Deputy Clerk, and Finance Director/Controller are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 48 full-time and 39 part-time employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

| Bargaining Unit | Expiration Date of Current Contract |
|------------------------|--|
| IBEW | December 31, 2020 |
| LELS | December 31, 2020 |

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$335,264 as of December 31, 2019. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of August 31, 2020)

| Fund | Total Cash and Investments |
|----------------------------|---------------------------------------|
| General | \$ 1,900,779 |
| Special Revenue | 2,736,339 |
| Debt Service | 1,755,045 |
| Capital Projects | 1,062,992 |
| Enterprise Funds | 10,524,886 |
| Payroll | 9,269 |
| Total Funds on Hand | <u>\$17,989,311</u> |

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

| | 2017 | 2018 | 2019 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| Liquor | | | |
| Total Operating Revenues | \$ 512,591 | \$ 528,861 | \$ 546,731 |
| Less: Operating Expenses | <u>(403,813)</u> | <u>(369,547)</u> | <u>(420,039)</u> |
| Operating Income | \$ 108,778 | \$ 159,314 | \$ 126,692 |
| Plus: Depreciation | <u>25,341</u> | <u>30,945</u> | <u>29,939</u> |
| Revenues Available for Debt Service | <u><u>\$ 134,119</u></u> | <u><u>\$ 190,259</u></u> | <u><u>\$ 156,631</u></u> |
| Water | | | |
| Total Operating Revenues | \$ 1,316,220 | \$ 1,119,869 | \$ 1,214,583 |
| Less: Operating Expenses | <u>(936,412)</u> | <u>(987,069)</u> | <u>(992,741)</u> |
| Operating Income | \$ 379,808 | \$ 132,800 | \$ 221,842 |
| Plus: Depreciation | <u>400,271</u> | <u>423,508</u> | <u>418,912</u> |
| Revenues Available for Debt Service | <u><u>\$ 780,079</u></u> | <u><u>\$ 556,308</u></u> | <u><u>\$ 640,754</u></u> |
| Electric | | | |
| Total Operating Revenues | \$ 6,135,974 | \$ 6,720,450 | \$ 6,789,776 |
| Less: Operating Expenses | <u>(5,439,347)</u> | <u>(5,789,529)</u> | <u>(5,647,252)</u> |
| Operating Income | \$ 696,627 | \$ 930,921 | \$ 1,142,524 |
| Plus: Depreciation | <u>520,311</u> | <u>529,475</u> | <u>647,480</u> |
| Revenues Available for Debt Service | <u><u>\$ 1,216,938</u></u> | <u><u>\$ 1,460,396</u></u> | <u><u>\$ 1,790,004</u></u> |
| Telecom | | | |
| Total Operating Revenues | \$ 2,997,525 | \$ 2,895,983 | \$ 2,851,232 |
| Less: Operating Expenses | <u>(2,392,462)</u> | <u>(2,393,248)</u> | <u>(2,316,745)</u> |
| Operating Income | \$ 605,063 | \$ 502,735 | \$ 534,487 |
| Plus: Depreciation | <u>334,705</u> | <u>332,215</u> | <u>339,892</u> |
| Revenues Available for Debt Service | <u><u>\$ 939,768</u></u> | <u><u>\$ 834,950</u></u> | <u><u>\$ 874,379</u></u> |

ENTERPRISE FUNDS CONTINUED

| | 2017 | 2018 | 2019 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| Wastewater | | | |
| Total Operating Revenues ¹ | \$ 1,736,770 | \$ 5,494,330 | \$ 1,837,470 |
| Less: Operating Expenses | <u>(1,240,536)</u> | <u>(1,236,692)</u> | <u>(1,224,306)</u> |
| Operating Income | \$ 496,234 | \$ 4,257,638 | \$ 613,164 |
| Plus: Depreciation | <u>381,736</u> | <u>407,470</u> | <u>407,537</u> |
| Revenues Available for Debt Service | <u><u>\$ 877,970</u></u> | <u><u>\$ 4,665,108</u></u> | <u><u>\$ 1,020,701</u></u> |
| Windom Area Hospital | | | |
| Total Operating Revenues | \$ 18,019,477 | \$ 18,204,215 | \$ 19,924,685 |
| Less: Operating Expenses | <u>(17,656,814)</u> | <u>(17,910,061)</u> | <u>(19,301,963)</u> |
| Operating Income | \$ 362,663 | \$ 294,154 | \$ 622,722 |
| Plus: Depreciation | <u>1,401,765</u> | <u>1,333,718</u> | <u>1,371,219</u> |
| Revenues Available for Debt Service | <u><u>\$ 1,764,428</u></u> | <u><u>\$ 1,627,872</u></u> | <u><u>\$ 1,993,941</u></u> |

¹ In 2018 the City signed a contract with Prime Pork for their portion of the wastewater treatment plant upgrade project revenues to the City. The total amount from Prime Pork will be \$3,700,000 in revenue amortized over a 10 year period.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2019 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|---|--------------------------------|--------------------|--------------------|--------------------|------------------------------|
| | 2016 Audited | 2017 Audited | 2018 Audited | 2019 Audited | 2020 Adopted Budget 1) |
| Revenues | | | | | |
| Property taxes | \$846,298 | \$916,867 | \$828,962 | \$1,075,416 | \$979,032 |
| Other taxes | 25,258 | 22,484 | 30,096 | 49,290 | 27,000 |
| Special assessments | 2,519 | 2,016 | 7,910 | (2,844) | 0 |
| Licenses and permits | 143,137 | 97,006 | 123,275 | 92,169 | 69,920 |
| Intergovernmental | 1,691,656 | 1,731,890 | 1,955,564 | 2,215,989 | 2,179,209 |
| Charges for services and facilities | 336,478 | 311,089 | 337,031 | 299,522 | 295,385 |
| Fine and forfeitures | 29,681 | 22,315 | 26,745 | 17,854 | 15,500 |
| Interest income | 20,226 | 22,611 | 34,249 | 57,832 | 25,000 |
| Investment earnings (loss) | (2,371) | 0 | 0 | 0 | 0 |
| Refunds and reimbursements | 62,793 | 61,909 | 62,244 | 85,051 | 0 |
| Grants and contributions | 23,061 | 7,467 | 80,939 | 44,649 | 0 |
| Miscellaneous | 10,921 | 8,920 | 7,643 | 6,081 | 55,000 |
| Total Revenues | \$3,189,657 | \$3,204,574 | \$3,494,658 | \$3,941,009 | \$3,646,046 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$404,616 | \$389,352 | \$407,308 | \$424,872 | \$447,009 |
| Public safety | 1,150,412 | 1,255,725 | 1,258,284 | 1,376,768 | 1,415,710 |
| Public works | 673,460 | 605,758 | 751,865 | 760,538 | 699,662 |
| Sanitation | 20,472 | 20,253 | 0 | 0 | 22,000 |
| Culture and recreation | 489,342 | 477,584 | 481,980 | 500,098 | 577,836 |
| Capital outlay | 512,675 | 170,864 | 502,662 | 978,080 | 564,538 |
| Debt service | 54,589 | 3,040 | 2,501 | 950 | 0 |
| Total Expenditures | \$3,305,566 | \$2,922,576 | \$3,404,600 | \$4,041,306 | \$3,726,755 |
| Excess of revenues over (under) expenditures | (\$115,909) | \$281,998 | \$90,058 | (\$100,297) | (\$80,709) |
| Other Financing Sources (Uses) | | | | | |
| Sale of land held for resale | \$20,000 | \$0 | \$15,000 | \$22,210 | \$0 |
| Proceeds from sale of fixed assets | 8,899 | 361 | 23,100 | 0 | 0 |
| Transfers in | 626,316 | 279,997 | 249,500 | 517,250 | 274,000 |
| Transfers (out) | (410,000) | (220,604) | (36,622) | (105,650) | (56,641) |
| Total Other Financing Sources (Uses) | 245,215 | 59,754 | 250,978 | 433,810 | 217,359 |
| Net changes in Fund Balances | \$129,306 | \$341,752 | \$341,036 | \$333,513 | \$136,650 |
| General Fund Balance January 1 | \$2,598,018 | \$2,727,324 | \$3,069,076 | \$3,410,112 | |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | |
| General Fund Balance December 31 | \$2,727,324 | \$3,069,076 | \$3,410,112 | \$3,743,625 | |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Nonspendable | \$69,006 | \$52,424 | \$44,883 | \$55,550 | |
| Restricted | \$82,984 | \$66,996 | \$76,436 | \$67,650 | |
| Assigned | \$308,046 | \$778,885 | \$1,126,756 | \$1,305,593 | |
| Unassigned | 2,267,288 | 2,170,771 | 2,162,037 | 2,314,832 | |
| Total | \$2,727,324 | \$3,069,076 | \$3,410,112 | \$3,743,625 | |

1 The 2020 budget was adopted on December 17, 2019.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 4,646 and a current population estimate of 4,514, and comprising an area of 4.16 square miles, is located approximately 135 miles southwest of the Minneapolis-St. Paul area. The City is the County Seat of Cottonwood County.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|--|---|-----------------------------------|
| Toro Company | Manufacture lawn and snow removal equipment | 700 |
| Hy-life Foods Windom, LLC | Pork processing plant | 680 ² |
| I.S.D. No. 177 (Windom) | Elementary and secondary education | 201 |
| Fortune Transportation | Specialized trucking transportation | 200 |
| FAST Manufacturing | Agricultural equipment manufacturers | 133 |
| Windom Area Health | Hospital and clinics | 124 |
| Good Samaritan Society Windom | Nursing home and senior living facility | 104 |
| Cottonwood County | County government and services | 96 |
| City of Windom | Municipal government and services | 87 |
| Minnesota Department of Transportation | State transportation services-district office | 58 |

Source: *ReferenceUSA, written and telephone survey (April 2020), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Previously listed as Comfrey Farm® Prime Pork, LLC.

BUILDING PERMITS

| | 2016 | 2017 | 2018 | 2019 | 2020 ¹ |
|--|--------------|-------------|--------------|-------------|-------------------|
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 4 | 0 | 5 | 2 | 2 |
| Valuation | \$1,043,400 | \$0 | \$1,086,519 | \$365,000 | \$450,000 |
| <u>New Multiple Family Buildings</u> | | | | | |
| No. of building permits | 0 | 0 | 0 | 1 | 0 |
| Valuation | \$0 | \$0 | \$0 | \$4,499,755 | \$0 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 5 | 4 | 1 | 1 | 0 |
| Valuation | \$4,556,826 | \$3,696,000 | \$227,500 | \$1,369,728 | \$0 |
| <u>All Building Permits</u> (including additions and remodelings) | | | | | |
| No. of building permits | 179 | 346 | 347 | 185 | 149 |
| Valuation | \$17,424,263 | \$7,025,308 | \$12,692,847 | \$8,619,856 | \$2,834,466 |

Source: The City.

¹ As of September 11, 2020.

U.S. CENSUS DATA

Population Trend: The City

| | |
|-----------------------------------|---------|
| 2000 U.S. Census population | 4,490 |
| 2010 U.S. Census population | 4,646 |
| 2019 State Demographer's Estimate | 4,514 |
| Percent of Change 2000 - 2010 | + 3.47% |

Income and Age Statistics

| | The City | Cottonwood County | State of Minnesota | United States |
|--|-----------------|--------------------------|---------------------------|----------------------|
| 2018 per capita income | \$26,683 | \$27,209 | \$36,245 | \$32,621 |
| 2018 median household income | \$41,738 | \$53,354 | \$68,411 | \$60,293 |
| 2018 median family income | \$70,074 | \$66,444 | \$86,204 | \$73,965 |
| 2018 median gross rent | \$647 | \$644 | \$944 | \$1,023 |
| 2018 median value owner occupied units | \$92,600 | \$90,800 | \$211,800 | \$204,900 |
| 2018 median age | 39.0 yrs. | 42.6 yrs. | 37.9 yrs. | 37.9 yrs. |

| | State of Minnesota | United States |
|-------------------------------------|---------------------------|----------------------|
| City % of 2018 per capita income | 73.62% | 81.80% |
| City % of 2018 median family income | 81.29% | 94.74% |

Housing Statistics

| | <u>The City</u> | | |
|-------------------|------------------------|-------------|--------------------------|
| | 2010 | 2019 | Percent of Change |
| All Housing Units | 1,994 | 1,998 | 0.20% |

Source: 2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

| Year | <u>Average Employment</u> | <u>Average Unemployment</u> | |
|-----------------|----------------------------------|------------------------------------|---------------------------|
| | Cottonwood County | Cottonwood County | State of Minnesota |
| 2016 | 5,151 | 7.2% | 3.9% |
| 2017 | 5,422 | 5.1% | 3.4% |
| 2018 | 5,619 | 3.6% | 2.9% |
| 2019 | 5,819 | 3.7% | 3.2% |
| 2020, September | 5,827 | 3.8% | 5.4% |

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF WINDOM, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

CITY OF WINDOM, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019

| | |
|--|--|
| INTRODUCTORY SECTION | |
| OFFICIAL DIRECTORY | |
| FINANCIAL SECTION | |
| INDEPENDENT AUDITORS' REPORT | |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | |
| BASIC FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | |
| STATEMENT OF ACTIVITIES | |
| GOVERNMENTAL FUNDS | |
| BALANCE SHEET | |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES | |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE | |
| RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES | |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND | |
| PROPRIETARY FUNDS | |
| STATEMENT OF NET POSITION | |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | |
| STATEMENT OF CASH FLOWS | |
| NOTES TO FINANCIAL STATEMENTS | |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS | |

CITY OF WINDOM, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019

| | |
|---|--|
| SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | |
| SCHEDULE OF THE CITY'S CONTRIBUTIONS | |
| WINDOM FIRE RELIEF ASSOCIATION – SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS | |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | |
| SUPPLEMENTARY INFORMATION | |
| COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS | |
| COMBINING BALANCE SHEET | |
| COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE | |
| COMBINING STATEMENT OF NET POSITION | |
| COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | |
| COMBINING STATEMENT OF CASH FLOWS | |
| OTHER REPORT SECTION | |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | |
| INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE | |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | |

CITY OF WINDOM, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2019

| <u>Elected Officials</u> | | <u>Term Expires</u> |
|--------------------------|---------------|---------------------|
| Mayor | Dominic Jones | December 31, 2020 |
| Council Member | JoAnn Ray | December 31, 2022 |
| Council Member | James Nelson | December 31, 2022 |
| Council Member | Jenny Quade | December 31, 2022 |
| Council Member | Marvin Grunig | December 31, 2020 |
| Council Member | Rodney Byam | December 31, 2020 |

INTRODUCTORY SECTION

FINANCIAL SECTION

(This page intentionally left blank)

(This page intentionally left blank)



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom (the City), Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Honorable Mayor and
Members of the City Council
City of Windom

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windom as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, and budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended April 30, 2019, Windom Area Health adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, Windom Area Health reported a restatement to net position for the change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the City's total OPEB Liability and related ratios, the schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and fire relief association – schedule of changes in the net pension asset and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Honorable Mayor and
Members of the City Council
City of Windom

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, 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 result of that testing, and not to provide an opinion on the effectiveness of the City of Windom's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windom's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank)

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

As management of the City of Windom (the City), Minnesota, we offer readers of the City of Windom's financial statements this narrative overview and analysis of the financial activities of the City of Windom for the fiscal year ended December 31, 2019.

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 \$67,661,027 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$24,413,244.
- The City's total net position increased by \$10,318,772 from 2018.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$8,427,251, which is an increase of \$489,979 in comparison with the prior year. The overall *unassigned fund balance* is \$1,754,786.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,314,832 or 57% of total 2019 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.
- Multi-Family Housing development was a key City Council discussion with a number of community meetings and information provided. A request for proposals netted the City three options for multi-family housing to be developed on City-owned property across the street from Tegel's Park and adjacent to the Windom Community Center. The City sold the land to a private developer for the construction of 45 units of market rate housing.
- Large general fund capital expenditures included upgrades to the Windom Recreation Area concession/restroom building, replacement of the fire department turnout gear, purchase of police vehicle, and purchase of new street sweeper.
- The Library completed renovations for ADA accessibility. Work was started to update the paint and carpet in the Children's library and is scheduled to be completed early 2020.
- During 2019 the 20-year Airport Master Plan, as required by the FAA and MN DOT, was completed and awaiting FAA review and comment. Construction of two additional bays was substantially completed in 2019 to meet demands for hangar space lease for business and general aviation.
- The Arena ice system upgrade completed in 2018 has proven to increase efficiency of staff operations for making and removing ice, leading to a successful hockey and ice skating season. The Arena staff continues to make improvements to the facility to provide a clean and safe building for the community.
- The Multi-Purpose Center hosted their first outdoor event during 2019, using the recently completed outdoor pavilion. After 2018 staff retirements, the City hired a new MPC Director. The Multi-Purpose Center is looking forward to facility and service upgrades and to increasing facility usage in future years.
- The Windom streetlight conversion to all LED was completed in 2019. The cost of the conversion was fully funded by the Electric Department. This project will save the General Fund approximately \$15,000 annually on street lighting.

(This page intentionally left blank)

FINANCIAL HIGHLIGHTS (CONTINUED)

- During 2019, the City's \$18.9 million wastewater treatment plant renovation project was approximately 75% completed. This project was necessary to meet State and Federal clean water regulations. Funding for the project consists of \$9.6 million low interest loan from the State of Minnesota, a \$6.4 million Point Source Implementation Grant and a \$3 million grant through State bonding funds. As a Significant Industrial User Prime Pork will be paying 40% of the non-grant expense amounting to \$3.9 million.
- Community Policing Pilot Project with the Alternative Learning Center, which is operated by the Southwest WestCentral Cooperative, was placed into service which provides regular services to the ALC and a \$12,000 stipend is paid to the City.

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 17-19 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

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

Governmental Funds

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

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

The City of Windom maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and economic development fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20-24 of this report.

Proprietary Funds

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

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and electric utilities, municipal liquor store operation, telecom operation, and hospital operation, all of which are considered to be major funds of the City of Windom. The basic proprietary fund financial statements can be found on pages 25-32 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 33-72 of this report.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Windom's OPEB liability plus progress in funding its Net Pension Liability. Required supplementary information can be found on pages 73-79 of this report.

The combining statements referred to earlier in conjunction with nonmajor governmental and proprietary funds are presented immediately following the financial statement footnotes. Combining and individual fund statements can be found on pages 80-86.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Windom, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$67,661,027 at the close of the most recent fiscal year compared to \$57,342,255 as restated at the end of 2018.

Approximately 61% of the City of Windom's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt outstanding used to acquire those assets. The City of Windom uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Windom's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of 2019, \$1,982,929 of assets were restricted as to use leaving the remaining balance of \$24,100,419 as unrestricted net position that may be used to meet the City's ongoing obligations.

CITY OF WINDOM'S NET POSITION

| | Governmental Activities | | | Business-Type Activities | | | Total |
|---------------------------------------|-------------------------|---------------|--|--------------------------|---------------|--|---------------|
| | 2019 | 2018 | | 2019 | 2018 | | 2018 |
| ASSETS | | | | | | | |
| Current and Other Assets | \$ 10,203,347 | \$ 10,036,373 | | \$ 29,954,127 | \$ 41,550,338 | | \$ 40,000,500 |
| Capital Assets | 20,722,532 | 20,819,784 | | 55,842,426 | 43,930,845 | | 76,364,958 |
| Other Assets | 30,925,879 | 30,856,157 | | 86,985,437 | 73,902,972 | | 104,759,129 |
| Total Assets | 61,851,758 | 61,712,314 | | 166,781,990 | 159,384,255 | | 215,124,587 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| | 803,195 | 947,758 | | 1,427,107 | 2,202,912 | | 3,150,670 |
| LIABILITIES | | | | | | | |
| Noncurrent Liabilities Outstanding | 9,177,415 | 10,009,131 | | 32,158,847 | 29,235,587 | | 41,337,062 |
| Other Liabilities | 2,411,310 | 2,381,827 | | 5,881,038 | 5,362,205 | | 7,743,832 |
| Total Liabilities | 11,588,725 | 12,390,958 | | 38,040,885 | 34,597,772 | | 49,080,894 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| | 1,092,783 | 1,434,736 | | 1,762,398 | 2,019,998 | | 2,855,181 |
| Net Position: | | | | | | | |
| Net Investment in Capital Assets | 12,056,417 | 11,558,102 | | 29,208,437 | 22,145,464 | | 41,264,854 |
| Restricted | 1,584,598 | 1,562,444 | | 398,331 | 398,331 | | 1,960,775 |
| Unrestricted | 5,408,551 | 4,857,875 | | 19,006,693 | 18,944,319 | | 24,413,244 |
| Total Net Position | \$ 19,049,566 | \$ 17,978,421 | | \$ 48,613,461 | \$ 43,488,114 | | \$ 57,468,535 |

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City of Windom's net position by \$1,069,145. Contributing to the increase in net position includes building of reserve funds for future capital needs, reimbursement received for prior year expenditures, and tax increments received related to North Windom Industrial Park Development.

Business-Type Activities

Business-type activities increased the City of Windom's net position by \$9,249,627. All major funds (electric, water, sewer, municipal liquor store, telecom, and Windom Hospital) all recorded positive contributions to net position.

City of Windom's Changes in Net Position

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

| | Governmental Activities | | | Business-Type Activities | | | Total |
|---|-------------------------|----------------------|--|--------------------------|----------------------|--|----------------------|
| | 2019 | 2018 | | 2019 | 2018 | | 2018 |
| REVENUES | | | | | | | |
| Program Revenues: | | | | | | | |
| Operating Revenues and Other | \$ 1,488,697 | \$ 1,433,241 | | \$ 34,975,138 | \$ 38,785,546 | | \$ 39,216,787 |
| Capital Grants and Contributions | 210,996 | 280,730 | | - | - | | 280,730 |
| General Revenues: | 887,866 | 347,743 | | 6,332,892 | 255,763 | | 7,020,758 |
| Property Taxes | 1,616,189 | 1,351,326 | | 429,609 | 577,055 | | 2,045,798 |
| Sales Taxes | 849,250 | 849,250 | | - | - | | 849,250 |
| Other Taxes | 49,260 | 30,097 | | - | - | | 49,260 |
| Grants and Contributions, Not Restricted | 1,483,533 | 1,481,733 | | 4,000 | 2,108,078 | | 3,589,811 |
| Unrestricted Investment Income | 81,212 | 54,126 | | 371,043 | 197,661 | | 452,255 |
| Unrestricted Investment Earnings (Loss) | (7,215) | 1,018 | | - | - | | 1,018 |
| Capital Asset Depreciation | 3,015 | 13,310 | | 235,493 | 4,787 | | 253,816 |
| Total Revenues | 6,515,854 | 5,187,343 | | 42,348,063 | 39,831,910 | | 46,819,253 |
| EXPENSES | | | | | | | |
| General Government | 316,342 | 673,860 | | - | - | | 673,860 |
| Public Safety | 2,085,524 | 1,950,113 | | - | - | | 1,950,113 |
| Public Works | 1,678,712 | 1,271,479 | | - | - | | 1,271,479 |
| Police Department | 840,132 | 840,132 | | - | - | | 840,132 |
| Economic Development | 840,132 | 1,852,484 | | - | - | | 1,852,484 |
| Interest on Long-Term Debt | 322,897 | 256,389 | | - | - | | 256,389 |
| Electric | - | - | | 5,647,252 | 5,785,529 | | 5,785,529 |
| Water | - | - | | 1,030,892 | 1,046,848 | | 1,046,848 |
| Wastewater | - | - | | 1,457,500 | 1,457,500 | | 1,457,500 |
| Liquor Store | - | - | | 1,928,984 | 1,900,163 | | 1,900,163 |
| Telecom | - | - | | 2,607,279 | 2,725,740 | | 2,725,740 |
| Arena | - | - | | 488,409 | 416,048 | | 416,048 |
| Windom Hospital | - | - | | 385,697 | 240,552 | | 240,552 |
| Windom Area Hospital | - | - | | 32,832 | 17,910,061 | | 17,910,061 |
| Total Expenses | 5,783,802 | 6,637,860 | | 19,301,863 | 31,528,631 | | 38,545,397 |
| Increase in Net Position Before Transfers | 731,852 | (750,547) | | 9,586,920 | 8,403,279 | | 10,318,772 |
| Transfers | 337,263 | 330,823 | | (337,263) | (330,823) | | - |
| CHANGE IN NET POSITION | 1,069,145 | (619,724) | | 9,249,627 | 8,072,456 | | 10,318,772 |
| Net Position - Beginning of Year | 17,978,421 | 16,358,145 | | 39,363,834 | 31,415,656 | | 57,342,255 |
| NET POSITION - END OF YEAR | \$ 19,049,566 | \$ 17,978,421 | | \$ 48,613,461 | \$ 39,488,114 | | \$ 57,468,535 |

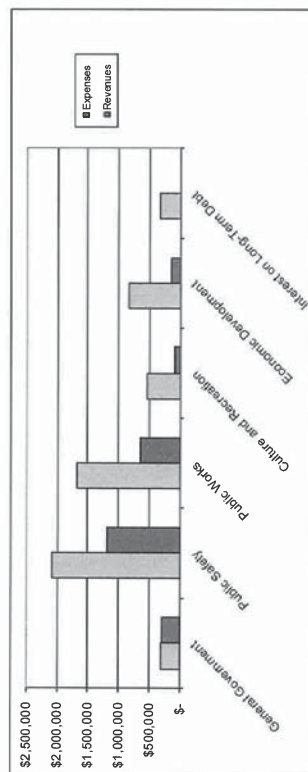
CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

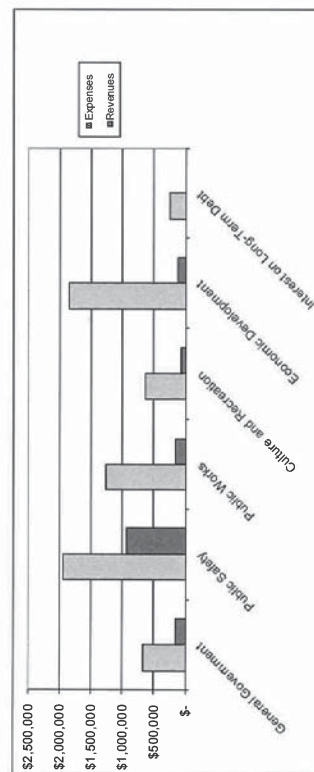
City of Windom's Changes in Net Position (Continued)

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

2019
Expenses and Program Revenues – Governmental Activities



2018
Expenses and Program Revenues – Governmental Activities

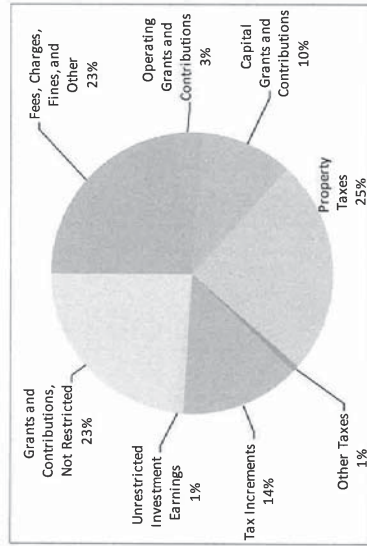


CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

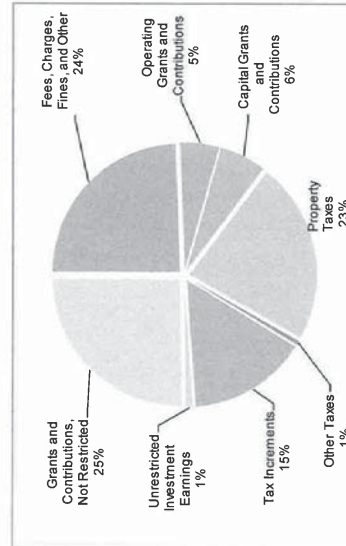
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

2019
Revenues by Source – Governmental Activities



2018
Revenues by Source – Governmental Activities



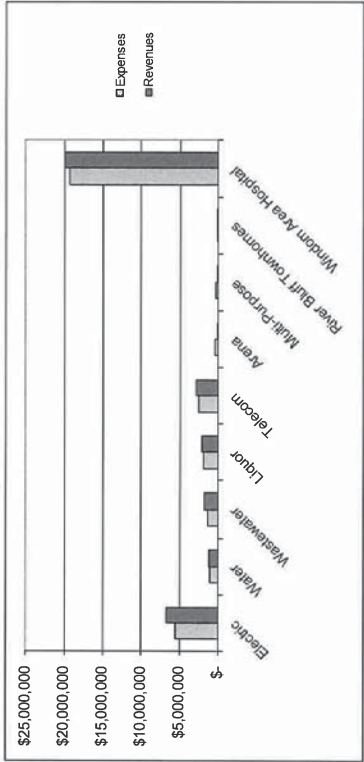
CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

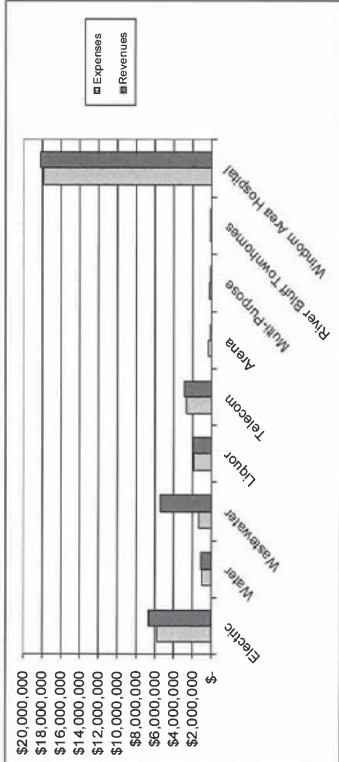
City of Windom's Changes in Net Position (Continued)

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

2019
Expenses and Program Revenues – Business-Type Activities



2018
Expenses and Program Revenues – Business-Type Activities



CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Windom's governmental funds reported combined ending fund balances of \$8,427,251, an increase of \$489,979 in comparison with 2018. The City reported an unassigned fund balance in the amount of \$1,754,786. Fund balance of \$261,250 is nonspendable and \$2,285,561 restricted to indicate that it is not available for new spending. At December 31, 2019 fund balances were as follows:

| | Balance | Increase (Decrease) From 2018 |
|---------------------------|--------------|-------------------------------------|
| General Fund | \$ 3,743,625 | \$ 333,513 |
| Economic Development Fund | 2,484,135 | 250,444 |
| Other Governmental Funds | 2,199,491 | (93,978) |
| Total | \$ 8,427,251 | \$ 489,979 |

The general fund is the chief operating fund of the City of Windom. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,314,832.

During the current fiscal year, the City of Windom's general fund balance increased by \$333,513. The increase was primarily due to revenue being allocated to reserve funds for capital spending to be completed in future years.

The increase in the economic development fund balance of \$250,444 was due to tax increments received as a result of development of North Windom Industrial Park.

The decrease in fund balance in the other governmental funds of \$(93,978) was due to funds allocated to complete tennis courts project.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds

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

Total net position in the electric fund at the end of 2019 was \$12,790,827, of which \$5,865,386 is unrestricted. Net position increased \$1,276,290 during the current year primarily due favorable power cost purchases.

The water fund has total net position of \$4,605,760, of which \$843,742 is unrestricted. The increase in net position of \$145,428 was related to a 2019 rate increase.

The wastewater fund has total net position of \$17,234,779, of which \$5,216,340 is unrestricted. The net position of the wastewater fund increased by \$6,835,342 during 2019. This increase is mostly related to a state grant received for the wastewater treatment plant renovation and Prime Pork's 40% contribution toward an \$18.9 million wastewater treatment renovation as well as.

The liquor fund has total net position of \$760,777. It has unrestricted net position of \$606,852. The net position of the liquor fund increased by \$33,408 during 2019.

The telecom fund reported a deficit net position of (\$7,528,353), a decrease of the deficit from 2018 by \$256,556. The telecom fund continues to look for service expansion opportunities and cost reductions to recapture margin on their services. Rates will be reviewed annually or more frequently as needed to retain margin on services in the telecom fund.

The hospital fund has total net position of \$19,188,008. The net position for the hospital fund increased \$858,544 during 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were over budget due mainly to higher than expected building permit and plan review fees and additional government supplemental aid. Expenditures came in under budget due to funding for capital expenditures that will be incurred in 2020 or future years.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Windom's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$76,364,958 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment, office equipment and furniture, and construction in progress. The total increase in the City of Windom's investment in capital assets (net of accumulated depreciation) was \$11,606,329 when compared to 2018. Detailed information about the City's capital assets is presented in the notes to the financial statements.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 232,861 | \$ 232,861 | \$ 519,018 | \$ 519,018 | \$ 751,879 | \$ 751,879 |
| Buildings and Building Improvements | 9,716,529 | 10,024,512 | 26,524,350 | 30,061,177 | 36,240,879 | 40,105,989 |
| Infrastructure | 6,102,013 | 6,561,169 | - | - | 6,102,013 | 6,561,169 |
| Machinery and Equipment | 1,673,650 | 1,695,146 | 10,249,298 | 10,352,863 | 11,922,948 | 12,011,009 |
| Office Equipment and Furniture | 73,835 | 100,506 | 136,948 | 162,613 | 210,783 | 263,119 |
| Construction in Progress | 923,544 | 262,180 | 16,212,172 | 2,823,174 | 17,135,716 | 3,085,364 |
| Total | \$ 20,722,532 | \$ 20,819,764 | \$ 55,042,826 | \$ 43,939,845 | \$ 76,364,958 | \$ 64,759,629 |

Long-Term Debt

At the end of the current fiscal year, the City of Windom had total long-term debt outstanding of \$35,882,956. The City of Windom's total long-term debt increased by \$3,704,844 or 11.5% during the current fiscal period. Detailed information about the City's debt and other long-term liabilities is presented in the notes to the financial statements.

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

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| G.O. Bonds | \$ 7,225,000 | \$ 7,770,000 | \$ 4,575,000 | \$ 4,900,000 | \$ 11,800,000 | \$ 12,670,000 |
| Revenue Bonds | - | - | 20,993,323 | 16,239,000 | 20,993,323 | 16,239,000 |
| Capital Lease Obligation | 1,883,000 | 1,963,000 | - | - | 1,883,000 | 1,963,000 |
| Notes Payable | 360,311 | 419,580 | 846,322 | 886,532 | 1,206,633 | 1,305,112 |
| Total | \$ 9,468,311 | \$ 10,152,580 | \$ 26,414,645 | \$ 22,025,532 | \$ 35,882,956 | \$ 32,178,112 |

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- In 2019, Windom signed a Wind Shape Power Purchasing Agreement with CMMPA. The power contract starts at the end of 2020 and runs 15 years. The contract will allow Windom Utilities to continue a goal of providing stable rates into the future.
- An Electric rate study is scheduled to be completed in 2020. The previous study was conducted just over five years ago. Once completed the rate study may suggest revisions to commercial, industrial and residential rates based on costs of power, transmission and power factor.
- Highway 60/71 Corridor Study is currently being conducted by K.L.J. Engineering as sponsored by MN DOT and the City. This study will research the existing uses of the highway corridor and plan for future traffic growth, land use and movement of freight. The City anticipates some changes to the corridor to enhance pedestrian, vehicular and bicycle safety. This study is intended to be the blueprint for a major corridor re-construction project scheduled for 2028-2030.
- The Telecom Department has researched the viability and cost-efficiency of future methods to deliver cable television programming. The Telecom Commission and City staff aims to deliver an over-the-top video-streaming service by the end of 2020.
- Prime Pork is continuing to ramp up operations and employed approximately 600 people at the end of 2019. Prime Pork utilizes City wastewater and electric which greatly contribute to the revenues for these operations.
- Interest rates on investments have been steady in 2019. Overall the City's investment earnings on its portfolio have increased slightly. Interest rates for CDs, which is the City's main investment tool, appear to be maintaining on the low end (1% - 2.5%) of the historic market range for the upcoming year.

REQUESTS FOR INFORMATION

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

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

**CITY OF WINDOM, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| | 2019 | | | April 30, 2019 |
|---|----------------------------|-----------------------------|---------------|-------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Windom Area Health Foundation |
| ASSETS | | | | |
| Cash and Investments | \$ 6,107,502 | \$ 13,352,394 | \$ 19,459,896 | \$ 257,807 |
| Short-Term Investments | - | 2,987,084 | 2,987,084 | - |
| Cash and Investments with Fiscal Agent | - | 398,331 | 398,331 | - |
| Restricted Cash and Investments | - | 5,330,328 | 5,330,328 | 135,724 |
| Taxes Receivable | 68,043 | 135,209 | 203,252 | - |
| Special Assessments Receivable | 1,065,349 | 191,831 | 1,257,180 | - |
| Accounts Receivable | 1,033,727 | 4,391,357 | 5,425,084 | - |
| Accrued Interest Receivable | - | 90,719 | 90,719 | - |
| Inventory | 261,250 | 1,165,757 | 1,427,007 | - |
| Prepaid Items | - | 41,864 | 41,864 | - |
| Loans Receivable | 110,640 | 3,262,137 | 3,372,777 | - |
| Land Held for Resale | 1,141,160 | - | 1,141,160 | - |
| Net Pension Asset | 415,676 | - | 415,676 | - |
| Capital Assets: | | | | |
| Land and Construction in Progress | 1,156,505 | 16,731,790 | 17,888,295 | - |
| Other Capital Assets, Net of Depreciation | 19,566,027 | 38,910,636 | 58,476,663 | - |
| Total Assets | 30,925,879 | 86,989,437 | 117,915,316 | 393,531 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension Related | 789,300 | 1,410,255 | 2,199,555 | - |
| Other Postemployment Benefits Related | 13,895 | 16,852 | 30,747 | - |
| Total Deferred Outflows of Resources | 803,195 | 1,427,107 | 2,230,302 | - |
| LIABILITIES | | | | |
| Accounts and Contracts Payable | 121,296 | 1,737,644 | 1,858,940 | - |
| Other Accrued Liabilities | 116,589 | 1,371,761 | 1,488,350 | - |
| Accrued Interest Payable | 102,154 | 123,331 | 225,485 | - |
| Unearned Revenue | - | 319,122 | 319,122 | - |
| Estimated Third-Party Payor Settlements | - | 384,180 | 384,180 | - |
| Long-Term Liabilities: | | | | |
| Due within One Year | 803,060 | 1,945,000 | 2,748,060 | - |
| Due in More than One Year | 9,039,796 | 24,976,528 | 34,016,324 | - |
| Net Pension Liability | 1,254,316 | 6,852,859 | 8,107,175 | - |
| Other Postemployment Benefits Liability: | | | | |
| Due within One Year | 13,895 | 16,852 | 30,747 | - |
| Due in More than One Year | 137,619 | 313,408 | 451,027 | - |
| Total Liabilities | 11,588,725 | 38,040,685 | 49,629,410 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension Related | 1,092,783 | 1,762,398 | 2,855,181 | - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 12,056,417 | 29,208,437 | 41,264,854 | - |
| Restricted for: | | | | |
| Specific Donor Restriction | 66,996 | - | 66,996 | 135,724 |
| Fire Relief Pension | 415,676 | - | 415,676 | - |
| Debt Service | 1,101,926 | 398,331 | 1,500,257 | - |
| Unrestricted | 5,406,551 | 19,006,693 | 24,413,244 | 257,807 |
| Total Net Position | \$ 19,047,566 | \$ 48,613,461 | \$ 67,661,027 | \$ 393,531 |

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

| <u>Functions/Programs</u> | 2019 | | | |
|----------------------------------|-------------------|--|---------------------------------------|-------------------------------------|
| | Expenses | Program Revenues Fees, Charges, Fines, and Other | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General Government | \$ 316,342 | \$ 127,510 | \$ 34,600 | \$ 139,689 |
| Public Safety | 2,085,524 | 1,030,656 | 130,935 | 25,134 |
| Public Works | 1,678,712 | 123,472 | 14,485 | 516,846 |
| Culture and Recreation | 540,095 | 63,031 | 30,076 | - |
| Economic Development | 840,132 | 144,028 | - | 6,197 |
| Interest on Long-Term Debt | 322,997 | - | - | - |
| Total Governmental Activities | 5,783,802 | 1,488,697 | 210,096 | 687,866 |
| Business-Type Activities: | | | | |
| Electric | 5,647,252 | 6,789,776 | - | - |
| Water | 1,030,992 | 1,214,583 | - | 7,790 |
| Wastewater | 1,329,047 | 1,837,470 | - | 6,271,893 |
| Liquor | 1,928,064 | 2,054,756 | - | - |
| Telecom | 2,607,279 | 2,851,232 | - | - |
| Arena | 498,409 | 100,791 | - | - |
| Multi-Purpose Center | 335,627 | 105,688 | - | - |
| River Bluff Townhomes | 82,932 | 96,157 | - | - |
| Windom Area Health | 19,301,963 | 19,924,685 | - | 53,209 |
| Total Business-Type Activities | 32,761,565 | 34,975,138 | - | 6,332,892 |
| Total Primary Government | \$ 38,545,367 | \$ 36,463,835 | \$ 210,096 | \$ 7,020,758 |
| Component Unit: | | | | |
| Windom Area Health Foundation | \$ 25 | \$ 20,141 | \$ 36,286 | \$ - |

GENERAL REVENUES

Taxes:

Property Taxes, Levied for General Purpose

Tax Increments

Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Interest Income

Unrestricted Investment Earnings (Loss)

Gain on Sale of Capital Assets

Gain on Sale of Land Held for Resale

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year, as restated

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

| 2019 | | | |
|---|-----------------------------|---------------|----------------------------------|
| Net (Expense) Revenue and Changes in Net Position | | | April 30, 2019 |
| Governmental Activities | Business-Type Activities | Total | Windom Area Health Foundation |
| \$ (14,543) | \$ - | \$ (14,543) | \$ - |
| (898,799) | - | (898,799) | - |
| (1,023,909) | - | (1,023,909) | - |
| (446,988) | - | (446,988) | - |
| (689,907) | - | (689,907) | - |
| (322,997) | - | (322,997) | - |
| (3,397,143) | - | (3,397,143) | - |
| - | 1,142,524 | 1,142,524 | - |
| - | 191,381 | 191,381 | - |
| - | 6,780,316 | 6,780,316 | - |
| - | 126,692 | 126,692 | - |
| - | 243,953 | 243,953 | - |
| - | (397,618) | (397,618) | - |
| - | (229,939) | (229,939) | - |
| - | 13,225 | 13,225 | - |
| - | 675,931 | 675,931 | - |
| - | 8,546,465 | 8,546,465 | - |
| (3,397,143) | 8,546,465 | 5,149,322 | - |
| - | - | - | 56,402 |
| 1,616,189 | 429,609 | 2,045,798 | - |
| 895,986 | - | 895,986 | - |
| 49,290 | - | 49,290 | - |
| 1,483,533 | 4,000 | 1,487,533 | - |
| 81,212 | 371,043 | 452,255 | - |
| (215) | - | (215) | - |
| - | 235,803 | 235,803 | - |
| 3,000 | - | 3,000 | - |
| 337,293 | (337,293) | - | (32,583) |
| 4,466,288 | 703,162 | 5,169,450 | (32,583) |
| 1,069,145 | 9,249,627 | 10,318,772 | 23,819 |
| 17,978,421 | 39,363,834 | 57,342,255 | 369,712 |
| \$ 19,047,566 | \$ 48,613,461 | \$ 67,661,027 | \$ 393,531 |

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

| | General Fund | Economic Development Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 2,734,539 | \$ 1,034,591 | \$ 2,312,695 | \$ 6,081,825 |
| Property Taxes Receivable | 68,043 | - | - | 68,043 |
| Special Assessments Receivable | 23,316 | 26,765 | 1,015,268 | 1,065,349 |
| Accounts Receivable | 552,070 | 6,296 | 475,361 | 1,033,727 |
| Due from Other Funds | 522,502 | - | - | 522,502 |
| Inventory | 55,550 | 205,700 | - | 261,250 |
| Loans Receivable, Net of Allowance | - | 110,640 | - | 110,640 |
| Land Held for Resale | - | 1,141,160 | - | 1,141,160 |
| Total Assets | <u>\$ 3,956,020</u> | <u>\$ 2,525,152</u> | <u>\$ 3,803,324</u> | <u>\$ 10,284,496</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | | | | |
| LIABILITIES | | | | |
| Accounts and Contracts Payable | \$ 33,710 | \$ 9,780 | \$ 16,428 | \$ 59,918 |
| Other Accrued Liabilities | 95,837 | 4,472 | 51,981 | 152,290 |
| Due to Other Funds | - | - | 522,502 | 522,502 |
| Total Liabilities | <u>129,547</u> | <u>14,252</u> | <u>590,911</u> | <u>734,710</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue | 82,848 | 26,765 | 1,012,922 | 1,122,535 |
| FUND BALANCES (DEFICITS) | | | | |
| Nonspendable | 55,550 | 205,700 | - | 261,250 |
| Restricted | - | 1,026,635 | 1,258,926 | 2,285,561 |
| Committed | 67,650 | - | - | 67,650 |
| Assigned | 1,305,593 | 1,251,800 | 1,500,611 | 4,058,004 |
| Unassigned | 2,314,832 | - | (560,046) | 1,754,786 |
| Total Fund Balances (Deficits) | <u>3,743,625</u> | <u>2,484,135</u> | <u>2,199,491</u> | <u>8,427,251</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,956,020</u> | <u>\$ 2,525,152</u> | <u>\$ 3,803,324</u> | <u>\$ 10,284,496</u> |

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Total Fund Balance for Governmental Funds **\$ 8,427,251**

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

| | |
|-------------------------------------|--------------|
| Land | 232,961 |
| Construction in Progress | 923,544 |
| Buildings and Building Improvements | 12,977,190 |
| Machinery and Equipment | 8,835,584 |
| Infrastructure | 18,304,737 |
| Office Equipment and Furniture | 208,689 |
| Less: Accumulated Depreciation | (20,760,173) |

Some of the City's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 1,122,535

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (102,154)

The City's net pension asset is recorded only on the statement of net position. 415,676

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

| | |
|--|-------------|
| Bonds Payable | (7,225,000) |
| Unamortized Discounts and Premium | (140,725) |
| Note Payable | (360,311) |
| Capital Lease Obligation | (1,883,000) |
| Deferred Outflows of Resources - Pensions | 789,300 |
| Deferred Outflows of Resources - Other Postemployment Benefits | 13,895 |
| Deferred Inflows of Resources - Pensions | (1,092,783) |
| Net Pension Liability | (1,254,316) |
| Other Postemployment Benefits Liability | (151,514) |
| Compensated Absences Payable | (233,820) |

Total Net Position of Governmental Activities **\$ 19,047,566**

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019**

| | General Fund | Economic Development Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 1,075,416 | \$ 79,967 | \$ 460,806 | \$ 1,616,189 |
| Tax Increments | - | 895,986 | - | 895,986 |
| Other Taxes | 49,290 | - | - | 49,290 |
| Licenses and Permits | 92,169 | - | - | 92,169 |
| Intergovernmental | 2,215,989 | - | 161,803 | 2,377,792 |
| Special Assessments | (2,844) | 6,361 | - | 3,517 |
| Charges for Services | 299,522 | - | 827,853 | 1,127,375 |
| Fines and Forfeits | 17,854 | - | - | 17,854 |
| Interest Income | 57,832 | 849 | 22,531 | 81,212 |
| Refunds and Reimbursements | 85,051 | - | 929 | 85,980 |
| Grants and Contributions | 44,649 | 5,000 | - | 49,649 |
| Miscellaneous | 6,081 | 143,813 | 18,485 | 168,379 |
| Total Revenues | 3,941,009 | 1,131,976 | 1,492,407 | 6,565,392 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 424,872 | - | - | 424,872 |
| Public Safety | 1,376,768 | - | 487,303 | 1,864,071 |
| Public Works | 760,538 | - | 129,302 | 889,840 |
| Culture and Recreation | 500,098 | - | - | 500,098 |
| Economic Development | - | 685,341 | - | 685,341 |
| Capital Outlay: | | | | |
| General Government | 32,625 | - | - | 32,625 |
| Public Safety | 62,813 | - | 93,752 | 156,565 |
| Public Works | 830,312 | - | 10,224 | 840,536 |
| Culture and Recreation | 52,330 | - | - | 52,330 |
| Economic Development | - | 31,126 | - | 31,126 |
| Capital Leases: | | | | |
| Principal | - | - | 80,000 | 80,000 |
| Interest and Fiscal Charges | - | - | 53,633 | 53,633 |
| Debt Service: | | | | |
| Principal | - | 79,269 | 525,000 | 604,269 |
| Interest and Fiscal Charges | 950 | 55,864 | 165,796 | 222,610 |
| Total Expenditures | 4,041,306 | 851,600 | 1,545,010 | 6,437,916 |
| REVENUE OVER (UNDER) EXPENDITURES | (100,297) | 280,376 | (52,603) | 127,476 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In | 517,250 | - | 488,848 | 1,006,098 |
| Transfer Out | (105,650) | (29,932) | (533,223) | (668,805) |
| Sale of Land Held for Resale | 22,210 | - | 3,000 | 25,210 |
| Total Other Financing Sources (Uses) | 433,810 | (29,932) | (41,375) | 362,503 |
| NET CHANGE IN FUND BALANCE | 333,513 | 250,444 | (93,978) | 489,979 |
| Fund Balance - Beginning of Year | 3,410,112 | 2,233,691 | 2,293,469 | 7,937,272 |
| FUND BALANCE - END OF YEAR | <u>\$ 3,743,625</u> | <u>\$ 2,484,135</u> | <u>\$ 2,199,491</u> | <u>\$ 8,427,251</u> |

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances-Total Governmental Funds **\$ 489,979**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | |
|------------------------------------|-------------|
| Capital Outlays | 1,023,281 |
| Loss on Disposal of Capital Assets | (783) |
| Depreciation Expense | (1,119,750) |

Pension expenses on the governmental funds are measured by current year employer contributions. Pension expenditures on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

36,395

Other postemployment benefits expenditures on the governmental funds are measured by current year employer contributions. Other postemployment benefits activity on the statement of activities are measured by the change in net other postemployment benefits liability and the related deferred inflows and outflows of resources.

16,961

The governmental funds report bond and capital lease proceeds as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | |
|---|---------|
| Repayment of Capital Lease Obligations | 80,000 |
| Repayment of Bond Principal and Note Payable | 604,269 |
| Change in Accrued Interest Expense for General Obligation Bonds | 15,240 |
| Amortization of Bond Premium | 9,256 |

Change in delinquent and deferred property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.

(74,948)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(10,755)

Change in Net Position of Governmental Activities

\$ 1,069,145

See accompanying Notes to Financial Statements.

(This page intentionally left blank)

CITY OF WINDOM, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|--------------------|------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 1,064,266 | \$ 1,064,266 | \$ 1,075,416 | \$ 11,150 |
| Other Taxes | 27,000 | 27,000 | 49,290 | 22,290 |
| Licenses and Permits | 67,420 | 67,420 | 92,169 | 24,749 |
| Intergovernmental | 2,160,442 | 2,160,442 | 2,215,989 | 55,547 |
| Special Assessments | 871 | 871 | (2,844) | (3,715) |
| Charges for Services | 299,160 | 299,510 | 299,522 | 12 |
| Fines and Forfeits | 26,500 | 26,500 | 17,854 | (8,646) |
| Investment Earnings | 10,000 | 10,000 | 57,832 | 47,832 |
| Refunds/Reimbursements | 50,000 | 50,000 | 85,051 | 35,051 |
| Grants and Contributions | 2,000 | 2,000 | 44,649 | 42,649 |
| Miscellaneous | 7,380 | 6,580 | 6,081 | (499) |
| Total Revenues | 3,715,039 | 3,714,589 | 3,941,009 | 226,420 |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Mayor and Council: | 115,540 | 115,540 | 135,929 | (20,389) |
| Financial Administration | 138,600 | 138,600 | 128,664 | 9,936 |
| Building and Zoning | 141,073 | 141,073 | 130,323 | 10,750 |
| City Hall | 36,050 | 36,050 | 29,956 | 6,094 |
| Total General Government | 431,263 | 431,263 | 424,872 | 6,391 |
| Public Safety: | | | | |
| Police Protection | 1,192,882 | 1,192,882 | 1,200,252 | (7,370) |
| Fire Protection | 177,431 | 177,431 | 169,760 | 7,671 |
| Civil Defense | 5,886 | 5,886 | 5,935 | (49) |
| Animal Control | 2,700 | 2,700 | 821 | 1,879 |
| Total Public Safety | 1,378,899 | 1,378,899 | 1,376,768 | 2,131 |
| Public Works: | | | | |
| Street Department | 553,368 | 553,368 | 627,215 | (73,847) |
| Sanitation | 22,000 | 22,000 | 27,822 | (5,822) |
| Airport | 116,639 | 116,639 | 105,501 | 11,138 |
| Total Public Works | 692,007 | 692,007 | 760,538 | (68,531) |
| Culture and Recreation: | | | | |
| Parks | 248,487 | 248,487 | 214,266 | 34,221 |
| Library | 209,991 | 209,991 | 185,674 | 24,317 |
| Pool | 120,494 | 120,494 | 100,158 | 20,336 |
| Total Culture and Recreation | 578,972 | 578,972 | 500,098 | 78,874 |
| Capital Outlay | 1,032,656 | 1,032,656 | 978,080 | 54,576 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | - | - | 950 | (950) |
| Total Expenditures | 4,113,797 | 4,113,797 | 4,041,306 | 72,491 |
| REVENUES OVER (UNDER) EXPENDITURES | (398,758) | (399,208) | (100,297) | 298,911 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Land Held for Resale | - | - | 22,210 | 22,210 |
| Transfer In | 541,750 | 541,750 | 517,250 | (24,500) |
| Transfer Out | (57,035) | (57,035) | (105,650) | (48,615) |
| Total Other Financing Sources (Uses) | 484,715 | 484,715 | 433,810 | (50,905) |
| NET CHANGE IN FUND BALANCE | <u>\$ 85,957</u> | <u>\$ 85,507</u> | <u>333,513</u> | <u>\$ 248,006</u> |
| Fund Balance - Beginning of Year | | | 3,410,112 | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 3,743,625</u> | |

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| ASSETS | Electric | Water | Liquor |
|---|----------------------|---------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 4,318,361 | \$ 838,926 | \$ 557,160 |
| Short-Term Investments | - | - | - |
| Cash and Investments with Fiscal Agent | - | - | - |
| Restricted Cash and Investments | - | - | - |
| Accounts Receivable, Net of Allowance | 725,874 | 126,395 | 15,344 |
| Accrued Interest Receivable | - | - | - |
| Other Receivables | - | - | - |
| Special Assessments Receivable: | - | 124,393 | - |
| Loan Receivable | - | - | - |
| Due from Other Funds | 1,282,108 | - | - |
| Inventory | 548,649 | 42,442 | 299,705 |
| Prepaid Items | - | - | - |
| Total Current Assets | 6,874,992 | 1,132,156 | 872,209 |
| LONG-TERM ASSETS | | | |
| Capital Assets: | | | |
| Land, Buildings, Infrastructure, and Improvements | 12,520,305 | 8,403,992 | 402,336 |
| Equipment | 2,493,799 | 4,381,155 | 123,159 |
| Construction in Progress | 644,595 | - | - |
| Total Capital Assets | 15,658,699 | 12,785,147 | 525,495 |
| Less: Allowance for Depreciation | (8,733,258) | (7,133,073) | (371,570) |
| Total Net Capital Assets | 6,925,441 | 5,652,074 | 153,925 |
| Total Long-Term Assets | 6,925,441 | 5,652,074 | 153,925 |
| Total Assets | 13,800,433 | 6,784,230 | 1,026,134 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Related | 26,196 | 11,050 | 9,548 |
| Other Postemployment Benefits Related | 4,139 | 1,774 | 1,183 |
| Total Deferred Outflows of Resources | 30,335 | 12,824 | 10,731 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts and Contracts Payable | 357,474 | 5,439 | 50,786 |
| Accrued Expenses | 23,881 | 12,946 | 38,596 |
| Due to Other Funds | - | - | - |
| Accrued Interest | - | 20,080 | - |
| Estimated Third-Party Payor Settlements | - | - | - |
| Unearned Revenue | 83,690 | - | - |
| Other Postemployment Benefits Liability - Current Portion | 4,139 | 1,774 | 1,183 |
| Bonds Payable - Current Portion | - | 168,400 | - |
| Total Current Liabilities | 469,184 | 208,639 | 90,565 |
| LONG-TERM LIABILITIES | | | |
| Compensated Absences - Long-Term | 110,311 | 58,640 | 20,930 |
| Net Pension Liability | 345,687 | 145,804 | 125,995 |
| Other Postemployment Benefits Liability | 40,994 | 17,567 | 11,712 |
| Bonds Payable - Long-Term | - | 1,729,530 | - |
| Total Long-Term Liabilities | 496,992 | 1,951,541 | 158,637 |
| Total Liabilities | 966,176 | 2,160,180 | 249,202 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Related | 73,765 | 31,114 | 26,886 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 6,925,441 | 3,762,018 | 153,925 |
| Restricted for Debt Service | - | - | - |
| Unrestricted | 5,865,386 | 843,742 | 606,852 |
| Total Net Position | \$ 12,790,827 | \$ 4,605,760 | \$ 760,777 |

See accompanying Notes to Financial Statements.

| Wastewater | Telecom | Windom Area Health April 30, 2019 | Other Proprietary Funds | Total |
|---------------|----------------|---|-------------------------------|---------------|
| \$ 1,960,560 | \$ - | \$ 5,064,360 | \$ 613,027 | \$ 13,352,394 |
| - | - | 2,987,084 | - | 2,987,084 |
| - | - | 398,331 | - | 398,331 |
| - | 834,079 | 4,496,249 | - | 5,330,328 |
| 344,122 | 275,797 | 2,870,768 | 33,057 | 4,391,357 |
| - | - | 90,719 | - | 90,719 |
| - | - | 135,209 | - | 135,209 |
| 67,438 | - | - | - | 191,831 |
| 3,262,137 | - | - | - | 3,262,137 |
| - | - | - | - | 1,282,108 |
| - | 48,919 | 226,042 | - | 1,165,757 |
| - | - | 41,864 | - | 41,864 |
| 5,634,257 | 1,158,795 | 16,310,626 | 646,084 | 32,629,119 |
| 12,056,845 | 5,026,483 | 15,890,308 | 5,655,223 | 59,955,492 |
| 1,658,562 | 6,058,058 | 12,613,200 | 679,695 | 28,007,628 |
| 14,471,519 | 147,581 | 949,077 | - | 16,212,772 |
| 28,186,926 | 11,232,122 | 29,452,585 | 6,334,918 | 104,175,892 |
| (6,708,241) | (8,835,192) | (13,564,536) | (3,187,596) | (48,533,466) |
| 21,478,685 | 2,396,930 | 15,888,049 | 3,147,322 | 55,642,426 |
| 21,478,685 | 2,396,930 | 15,888,049 | 3,147,322 | 55,642,426 |
| 27,112,942 | 3,555,725 | 32,198,675 | 3,793,406 | 88,271,545 |
| 16,628 | 22,800 | 1,312,179 | 11,854 | 1,410,255 |
| 2,956 | 3,548 | - | 3,252 | 16,852 |
| 19,584 | 26,348 | 1,312,179 | 15,106 | 1,427,107 |
| 315,769 | 78,456 | 919,275 | 10,445 | 1,737,644 |
| 33,811 | 21,874 | 1,139,633 | 101,020 | 1,371,761 |
| - | 1,282,108 | - | - | 1,282,108 |
| 57,537 | 31,852 | - | 13,862 | 123,331 |
| - | - | 384,180 | - | 384,180 |
| - | 226,516 | - | 8,916 | 319,122 |
| 2,956 | 3,548 | - | 3,252 | 16,852 |
| 887,600 | 605,000 | 225,000 | 59,000 | 1,945,000 |
| 1,297,673 | 2,249,354 | 2,668,088 | 196,495 | 7,179,998 |
| 52,594 | 103,400 | - | 29,920 | 375,795 |
| 219,426 | 300,849 | 5,558,685 | 156,413 | 6,852,859 |
| 29,281 | 35,136 | 146,510 | 32,208 | 313,408 |
| 8,251,951 | 8,357,489 | 4,463,327 | 1,798,436 | 24,600,733 |
| 8,553,252 | 8,796,874 | 10,168,522 | 2,016,977 | 32,142,795 |
| 9,850,925 | 11,046,228 | 12,836,610 | 2,213,472 | 39,322,793 |
| 46,822 | 64,198 | 1,486,236 | 33,377 | 1,762,398 |
| 12,018,439 | (6,140,993) | 11,199,722 | 1,289,885 | 29,208,437 |
| - | - | 398,331 | - | 398,331 |
| 5,216,340 | (1,387,360) | 7,589,955 | 271,778 | 19,006,693 |
| \$ 17,234,779 | \$ (7,528,353) | \$ 19,188,008 | \$ 1,561,663 | \$ 48,613,461 |

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

| | Electric | Water | Liquor |
|--|----------------------|---------------------|-------------------|
| OPERATING REVENUES | | | |
| Sales | \$ - | \$ - | \$ 2,054,756 |
| Costs of Goods Sold | - | - | (1,508,025) |
| Charges for Services | 6,789,776 | 1,210,085 | - |
| Charges for Materials and Labor | - | 4,498 | - |
| Facility Use/Other Revenue | - | - | - |
| Total Gross Profit and Operating Revenues | 6,789,776 | 1,214,583 | 546,731 |
| OPERATING EXPENSES | | | |
| Cost of Power | 3,885,695 | - | - |
| Personal Services | 468,179 | 294,269 | 247,615 |
| Other Professional Services | - | - | - |
| Administrative and General | 645,898 | 266,351 | 142,485 |
| Depreciation and Amortization | 647,480 | 418,912 | 29,939 |
| Other Operating Expense | - | 13,209 | - |
| Total Operating Expenses | 5,647,252 | 992,741 | 420,039 |
| OPERATING INCOME (LOSS) | 1,142,524 | 221,842 | 126,692 |
| OTHER INCOME (EXPENSES) | | | |
| Interest Income | 113,245 | - | 6,716 |
| Interest Expense | - | (38,251) | - |
| Gain (Loss) on Sale of Fixed Assets | 219,871 | - | - |
| Taxes and Special Assessments | - | 7,790 | - |
| Contributions and Reimbursements | - | - | - |
| Total Other Income (Expenses) | 333,116 | (30,461) | 6,716 |
| INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | 1,475,640 | 191,381 | 133,408 |
| CONTRIBUTIONS AND TRANSFERS | | | |
| Transfers In | 1,400 | - | - |
| Transfers Out | (200,750) | (45,953) | (100,000) |
| Capital Contributions (Distributions) | - | - | - |
| Total Contributions and Transfers | (199,350) | (45,953) | (100,000) |
| CHANGE IN NET POSITION | 1,276,290 | 145,428 | 33,408 |
| Net Position - Beginning of Year, as restated | 11,514,537 | 4,460,332 | 727,369 |
| NET POSITION - END OF YEAR | <u>\$ 12,790,827</u> | <u>\$ 4,605,760</u> | <u>\$ 760,777</u> |

See accompanying Notes to Financial Statements.

| Wastewater | Telecom | Windom Area Health April 30, 2019 | Other Proprietary Funds | Total |
|---------------|----------------|---|-------------------------------|---------------|
| \$ - | \$ - | \$ - | \$ - | \$ 2,054,756 |
| - | - | - | - | (1,508,025) |
| 1,837,470 | 2,851,232 | 19,686,558 | - | 32,375,121 |
| - | - | - | - | 4,498 |
| - | - | 238,127 | 302,636 | 540,763 |
| 1,837,470 | 2,851,232 | 19,924,685 | 302,636 | 33,467,113 |
| - | - | - | - | 3,885,695 |
| 383,288 | 543,263 | 5,518,612 | 273,176 | 7,728,402 |
| - | - | 6,185,894 | - | 6,185,894 |
| 433,481 | 1,413,606 | 6,045,695 | 440,221 | 9,387,737 |
| 407,537 | 339,892 | 1,371,219 | 166,587 | 3,381,566 |
| - | 19,984 | 180,543 | - | 213,736 |
| 1,224,306 | 2,316,745 | 19,301,963 | 879,984 | 30,783,030 |
| 613,164 | 534,487 | 622,722 | (577,348) | 2,684,083 |
| 53,231 | 16,253 | 166,681 | 14,917 | 371,043 |
| (104,741) | (290,534) | - | (36,984) | (470,510) |
| - | - | 15,932 | - | 235,803 |
| 3,843 | - | - | 429,609 | 441,242 |
| 6,268,050 | - | - | 4,000 | 6,272,050 |
| 6,220,383 | (274,281) | 182,613 | 411,542 | 6,849,628 |
| 6,833,547 | 260,206 | 805,335 | (165,806) | 9,533,711 |
| 29,932 | - | - | 77,615 | 108,947 |
| (28,137) | (3,650) | - | (67,750) | (446,240) |
| - | - | 53,209 | - | 53,209 |
| 1,795 | (3,650) | 53,209 | 9,865 | (284,084) |
| 6,835,342 | 256,556 | 858,544 | (155,941) | 9,249,627 |
| 10,399,437 | (7,784,909) | 18,329,464 | 1,717,604 | 39,363,834 |
| \$ 17,234,779 | \$ (7,528,353) | \$ 19,188,008 | \$ 1,561,663 | \$ 48,613,461 |

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

| | Electric | Water | Liquor |
|---|---------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers and Service Users | \$ 6,695,752 | \$ 1,193,691 | \$ 2,058,756 |
| Cash Paid to Suppliers | (4,502,038) | (284,909) | (1,724,645) |
| Cash Paid to Employees | (547,949) | (292,181) | (210,602) |
| Net Cash Provided (Used) by Operating Activities | 1,645,765 | 616,601 | 123,509 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers (In) Out | (199,350) | (45,953) | (100,000) |
| Advance to Other Funds | 47,541 | - | - |
| Due to Other Funds | (100,248) | - | - |
| Loans | - | - | - |
| Property Tax Revenues | - | 7,790 | - |
| Miscellaneous Revenues | - | - | - |
| Payments from Escrow Account | - | - | - |
| Intergovernmental Revenues | - | - | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | (252,057) | (38,163) | (100,000) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from Bonds | - | - | - |
| Capital Grants and Contributions | - | - | - |
| Acquisition and Construction of Capital Assets | (658,588) | (6,337) | - |
| Interest Paid on Revenue Bonds | - | (51,587) | - |
| Principal Payments on Bonds and Notes | - | (250,000) | - |
| Net Cash Used by Capital and Related Financing Activities | (658,588) | (307,924) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Investments | - | - | - |
| Sale of Investments | - | - | - |
| Expenses Paid on Behalf of Related Party | - | - | - |
| Transfer from (to) Related Party | - | - | - |
| Investment Income (Loss) | 113,245 | - | 6,716 |
| Proceeds from Sale of Capital Assets | 229,167 | - | - |
| Net Cash Provided by Investing Activities | 342,412 | - | 6,716 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,077,532 | 270,514 | 30,225 |
| Cash and Cash Equivalents - Beginning of Year | 3,240,829 | 568,412 | 526,935 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 4,318,361</u> | <u>\$ 838,926</u> | <u>\$ 557,160</u> |
| NONCASH TRANSACTIONS | | | |
| Capital Asset Additions in Construction Payable | \$ - | \$ - | \$ - |
| Amortized Bond Premiums and Discounts | - | (3,074) | - |
| Total Noncash Investing, Capital, and Financing Activities | <u>\$ -</u> | <u>\$ (3,074)</u> | <u>\$ -</u> |

See accompanying Notes to Financial Statements.

| Wastewater | Telecom | Windom Area Health April 30, 2019 | Other Proprietary Funds | Total |
|---------------------|--------------------|---|----------------------------|----------------------|
| \$ 2,763,016 | \$ 2,871,612 | \$ 19,554,621 | \$ 275,122 | \$ 35,412,570 |
| (655,070) | (1,415,795) | (11,141,296) | (527,468) | (20,251,221) |
| (387,229) | (566,179) | (6,832,830) | (281,558) | (9,118,528) |
| <u>1,720,717</u> | <u>889,638</u> | <u>1,580,495</u> | <u>(533,904)</u> | <u>6,042,821</u> |
| 1,795 | (3,650) | - | 9,865 | (337,293) |
| 49,208 | - | - | - | 96,749 |
| - | 100,248 | - | - | - |
| 362,085 | - | - | - | 362,085 |
| 11,470 | - | - | 429,609 | 448,869 |
| - | - | - | 4,000 | 4,000 |
| - | (16,253) | - | - | (16,253) |
| <u>6,268,050</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,268,050</u> |
| <u>6,692,608</u> | <u>80,345</u> | <u>-</u> | <u>443,474</u> | <u>6,826,207</u> |
| 6,378,656 | - | - | - | 6,378,656 |
| - | - | 53,209 | - | 53,209 |
| (12,663,082) | (109,030) | (1,697,417) | (20,562) | (15,155,016) |
| (102,880) | (308,676) | (176,615) | (51,732) | (691,490) |
| (872,333) | (585,000) | (220,000) | (62,210) | (1,989,543) |
| <u>(7,259,639)</u> | <u>(1,002,706)</u> | <u>(2,040,823)</u> | <u>(134,504)</u> | <u>(11,404,184)</u> |
| - | - | (7,235,334) | - | (7,235,334) |
| - | - | 7,131,692 | - | 7,131,692 |
| - | - | (26,583) | - | (26,583) |
| - | - | 26,583 | - | 26,583 |
| 53,231 | 16,253 | 166,661 | 14,917 | 371,043 |
| - | - | - | - | 229,167 |
| <u>53,231</u> | <u>16,253</u> | <u>63,039</u> | <u>14,917</u> | <u>496,568</u> |
| 1,206,917 | (16,470) | (397,289) | (210,017) | 1,961,412 |
| <u>753,643</u> | <u>16,470</u> | <u>5,461,649</u> | <u>823,044</u> | <u>11,390,982</u> |
| <u>\$ 1,960,560</u> | <u>\$ -</u> | <u>\$ 5,064,360</u> | <u>\$ 613,027</u> | <u>\$ 13,352,394</u> |
| \$ 312,823 | \$ - | \$ - | \$ - | \$ 312,823 |
| (6,212) | (3,338) | - | - | (12,624) |
| <u>\$ 306,611</u> | <u>\$ (3,338)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 300,199</u> |

**CITY OF WINDOM, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>Electric</u> | <u>Water</u> | <u>Liquor</u> |
|--|---------------------|-------------------|-------------------|
| Operating Income (Loss) | \$ 1,142,524 | \$ 221,842 | \$ 126,692 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Provision for Bad Debts | - | - | - |
| Depreciation and Amortization | 647,480 | 418,912 | 29,939 |
| Amortization | - | - | - |
| Pension Adjustments | (20,571) | 1,850 | (240) |
| OPEB Adjustments | (5,052) | (2,166) | (1,444) |
| Changes in Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable | (92,399) | (20,892) | 4,000 |
| (Increase) Decrease in Deferred Outflows of Resources | - | - | - |
| (Increase) Decrease in Accrued Interest Receivable | - | - | - |
| (Increase) Decrease in Prepaid Items | - | - | - |
| (Increase) Decrease in Inventory | 73,107 | (5,284) | (30,333) |
| Increase (Decrease) in Accounts and Contracts Payable | (17,929) | (3,939) | (42,118) |
| Increase (Decrease) in Net Pension Liability | - | - | - |
| Increase (Decrease) in Deferred Inflows of Resources | - | - | - |
| Increase (Decrease) in Accrued Expenses | (72,462) | 4,190 | 33,114 |
| Increase (Decrease) in Due to Other Governments | - | - | - |
| Increase (Decrease) in Unearned Revenue | (1,625) | - | - |
| Increase (Decrease) in Accrued Compensated Absences | (7,308) | 2,088 | 3,899 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,645,765</u> | <u>\$ 616,601</u> | <u>\$ 123,509</u> |

See accompanying Notes to Financial Statements.

| Wastewater | Telecom | Windom Area Health April 30, 2019 | Other Proprietary Funds | Total |
|---------------------|-------------------|---|----------------------------|---------------------|
| \$ 613,164 | \$ 534,487 | \$ 622,722 | \$ (577,348) | \$ 2,684,083 |
| - | - | 365,727 | - | 365,727 |
| 407,537 | 339,892 | 1,371,219 | 166,587 | 3,381,566 |
| - | - | 1,268 | - | 1,268 |
| (7,627) | 7,616 | - | (35,435) | (54,407) |
| (3,609) | (4,332) | - | (3,970) | (20,573) |
| 925,546 | 16,510 | (878,312) | (28,084) | (73,631) |
| - | - | 637,734 | - | 637,734 |
| - | - | (41,877) | - | (41,877) |
| - | - | (46,916) | - | (46,916) |
| - | - | - | - | 37,490 |
| (210,353) | (8,831) | 226,650 | (47,842) | (104,362) |
| - | - | (866,858) | - | (866,858) |
| - | - | (141,745) | - | (141,745) |
| 23,363 | 23,342 | 146,485 | 6,592 | 164,624 |
| - | (17,517) | 184,398 | - | 166,881 |
| - | 3,870 | - | 570 | 2,815 |
| (27,304) | (5,399) | - | (14,974) | (48,998) |
| <u>\$ 1,720,717</u> | <u>\$ 889,638</u> | <u>\$ 1,580,495</u> | <u>\$ (533,904)</u> | <u>\$ 6,042,821</u> |

(This page intentionally left blank)

NOTES TO FINANCIAL STATEMENTS

(This page intentionally left blank)

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Windom, located in Cottonwood County in Minnesota, conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant policies.

A. Financial Reporting Entity

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

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

Component Units

The Economic Development Authority (EDA) of Windom is an entity legally separate from the City. However, for financial reporting purposes, the EDA is reported as if it were part of the City's operations (blended component unit) because the EDA provides services primarily to the City of Windom and the City Council appoints the EDA's board members.

Windom Area Health and Foundation

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

For financial reporting purposes, due to the different reporting focuses, the Hospital is reported separately from the Windom Area Health Foundation (the Foundation). The Foundation is a 501(c)(3) organization whose sole purpose is to support the Hospital. Windom Area Health Foundation conducts fundraising campaigns on behalf of the Hospital.

For financial reporting purposes, the WAH is reported as if it were part of the City's operations (blended component unit) because the City Council is the governing board for the WAH. The Foundation is reported as a discretely presented component unit in the City's financial statements. Separately issued financials statements are available for WAH and its Foundation by contacting WAH.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Other Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The City reports the following major governmental funds:

General Fund

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

Economic Development Fund

The Economic Development Fund accounts for financial resources to be used for the growth and development of commercial, residential, industrial concerns, and tax increment-financing activity in the City. Revenues for the Economic Development Fund are generated primarily from bond proceeds, local property taxes, state aid and grants, and rental income.

The City reports the following major proprietary funds:

Electric Fund

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

Water Fund

The Water Fund accounts for customer water service charges that are used to finance water operating expenses.

Liquor Fund

The Liquor Fund accounts for customer sales that are used to finance liquor store operating expenses and provide funds for general operations of the City.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Wastewater Fund

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

Windom Area Health Fund

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

Telecom Fund

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- C. Measurement Focus and Basis of Accounting (Continued)**
- All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
- The Windom Area Health Fund reports in accordance with the *Audit and Accounting Guide for Health Care Organizations* published by the American Institute of Certified Public Accountants which prescribes accounting and reporting policies, some of which are unique to providers of health care services.
- D. Budgets**
- Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriation budgets are adopted in the General Fund. Budgeted amounts are reported as originally adopted, or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.
- The City follows these procedures in establishing the budgetary data reflected in the financial statements:
1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
 2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.
 3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.
 4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
 5. Budgets are adopted on a basis consistent with GAAP. Budgeted amounts presented are as originally adopted, and final as amended.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances**
- 1. Cash and Investments**
- Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.
- The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund in the governmental fund financial statements, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund payables are eliminated for statement of net position presentation.
- For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.
- Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.
- 2. Cash and Investments with Fiscal Agent**
- At December 31, 2019, cash and investments with a fiscal agent consisted of commercial paper held by US Bank for the purpose of the project and reserve fund for the Revenue Hospital Bonds, Series 2014A.
- 3. Restricted Cash and Investments**
- At December 31, 2019, restricted cash and investments consisted of Minnesota Municipal Money Market held by 4M and 4M Plus Fund. These assets are for a debt service reserve fund required under a bond agreement.
- 4. Property Tax Revenue Recognition**
- Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing entities three times a year.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Property Tax Revenue Recognition (Continued)

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

5. Special Assessment Revenue Recognition

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

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

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

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Accounts Receivable and Allowance for Uncollectible Accounts

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

The Hospital provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectibility based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the Hospital. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At April 30, 2019, the allowance for uncollectible accounts was approximately \$366,000.

7. Utility Billing

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

8. Inventories

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

9. Prepaid Items

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

10. Interfund Receivables/Payables

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

11. Land Held for Resale

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Capital Assets

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

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes. Useful lives for the City vary from three years for Computer Equipment; 5 to 15 years for Office Furnishings, Machinery, and Equipment; 20 to 50 years for Buildings and Other Improvements and Infrastructure.

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

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

13. Compensated Absences

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Pension Asset/Liability

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Windom Fire Department Relief Association Plan (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of contributions) are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefit (OPEB)

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

16. Long-Term Obligations

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

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

The City's liabilities for compensated absences, pension and OPEB related to governmental activities are generally liquidated by the General Fund.

17. Deferred Outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs. More detailed information about pension and OPEB related deferred outflows of resources can be found in Notes 5, 10, and 11 to the financial statements.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

18. Deferred Inflows of Resources

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

19. Interfund Transactions

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

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

20. Net Position

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

21. Fund Balance

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

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

21. Fund Balance (Continued)

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the City Council, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Administrator and the Assistant City Administrator to make assignments of resources for a specific purpose.

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

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

NOTE 2 DEPOSITS AND INVESTMENTS

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Investment earnings on cash and pooled investments are credited to all funds based on their cash balances each month. In addition, some funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

A. Deposits

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

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

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rated "A" or better;
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories;
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

As of December 31, 2019, the City and the Hospital had the following investments:

External Investment Pools –

| | Amortized Cost |
|---|-------------------|
| Minnesota Municipal Money Market Fund- Liquid Asset Fund | \$ 346,647 |
| Minnesota Municipal Money Market Fund Plus- Liquid Asset Fund | 2,156,954 |
| Total | \$ 2,503,601 |

The Minnesota Municipal Money Market Fund Liquid Asset Fund (4M) is an external investment pool not registered with the Securities and Exchange Commission (SEC). There are no restrictions on withdrawals from the 4M Liquid Asset Fund, and withdrawals may be effected on a same day basis. All investments in the 4M Plus Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days' interest on the amount withdrawn (calculated using the dividend rates in effect for the 7-day period immediately preceding the withdrawal date). The penalty will be payable even if the amount withdrawn had not been invested in the 4M Plus Fund for the full 7-day period preceding the withdrawal. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date of that series, a 7-days' notice of redemption is required and a penalty may be assessed. The fair value of the presentation in the pool is the same as the value of the pool shares.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The 4M Fund is not rated.

Concentration of Credit Risk – The City's investment policy places no limit on the amount that may be invested with any one issuer or depository. The following is a list of investments which individually comprise more than 5% of the City's total investments:

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

| | |
|--|----------------------|
| Cash on Hand | \$ 2,485 |
| Deposits | 16,368,273 |
| External Investment Pool | 2,503,601 |
| Certificates of Deposits | 9,301,280 |
| Total Cash and Investments | \$ 28,175,639 |
| Cash and Investments | \$ 19,459,896 |
| Short-Term Investments | 2,987,084 |
| Cash and Investments with Fiscal Agent | 398,331 |
| Restricted Cash and Investments | 5,330,328 |
| Total Cash and Investments | \$ 28,175,639 |

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---------------------|------------------|------------------|-----------|---------------------|
| Governmental Activities: | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | 232,981 | - | - | - | 232,981 |
| Construction in Progress | 242,190 | 681,354 | - | - | 923,544 |
| Total Capital Assets, Not Being Depreciated | 475,171 | 681,354 | - | - | 1,156,525 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings and Building Improvements | 12,928,318 | 40,872 | - | - | 12,977,190 |
| Office Equipment and Furniture | 208,699 | - | - | - | 208,699 |
| Machinery and Equipment | 8,655,703 | 301,055 | (21,174) | - | 8,935,584 |
| Infrastructure | 15,552,552 | - | - | - | 15,552,552 |
| Total Capital Assets, Being Depreciated | 40,044,472 | 341,927 | (21,174) | - | 40,365,225 |
| Accumulated Depreciation for: | | | | | |
| Buildings and Building Improvements | (2,911,599) | (346,155) | - | - | (3,257,754) |
| Office Equipment and Furniture | (108,183) | (28,671) | - | - | (136,854) |
| Machinery and Equipment | (6,897,557) | (284,789) | 20,391 | - | (7,161,954) |
| Infrastructure | (8,743,989) | (469,159) | - | - | (9,213,148) |
| Total Accumulated Depreciation | (18,661,328) | (828,715) | 20,391 | - | (19,469,752) |
| Total Capital Assets, Being Depreciated, Net | 21,383,144 | 513,212 | (188,783) | - | 21,707,574 |
| Governmental Activities Capital Assets, Net | 21,782,715 | 1,195,093 | (168,477) | - | 22,809,331 |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|---------------------|
| Governmental Activities: | |
| General Government | \$ 331,943 |
| Public Safety | 286,960 |
| Public Works | 392,619 |
| Culture and Recreation | 23,188 |
| Economic Development | 85,040 |
| Total Depreciation Expense, | |
| Governmental Activities | \$ 1,119,750 |

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---------------------|--------------------|------------------|--------------------|---------------------|
| Business-Type Activities: | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | 519,018 | - | - | - | 519,018 |
| Construction in Progress | 2,853,174 | 14,807,497 | (390,583) | (1,057,316) | 16,212,772 |
| Total Capital Assets, Not Being Depreciated | 3,372,192 | 14,807,497 | (390,583) | (1,057,316) | 16,731,790 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings and Building Improvements | 58,770,442 | 198,009 | (88,653) | 443,031 | 59,340,829 |
| Office Equipment and Furniture | 606,308 | - | - | - | 606,308 |
| Machinery and Equipment | 28,723,313 | 512,054 | (380,727) | 614,285 | 29,468,925 |
| Total Capital Assets, Being Depreciated | 88,100,063 | 710,103 | (469,380) | 1,057,316 | 89,348,102 |
| Accumulated Depreciation for: | | | | | |
| Buildings and Building Improvements | (28,669,265) | (2,195,789) | 88,624 | - | (30,816,430) |
| Office Equipment and Furniture | (443,895) | (25,665) | - | - | (469,560) |
| Machinery and Equipment | (18,555,653) | (1,161,345) | 390,146 | - | (19,326,852) |
| Total Accumulated Depreciation | (47,668,813) | (3,382,800) | 478,770 | - | (50,572,843) |
| Total Capital Assets, Being Depreciated, Net | 40,531,450 | (2,672,697) | 369,610 | - | 38,228,363 |
| Business-Type Activities Capital Assets, Net | 40,952,942 | (2,672,697) | 458,224 | - | 38,730,469 |

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

| | |
|------------------------------------|---------------------|
| Business-Type Activities: | |
| Electric Fund | \$ 647,480 |
| Water Fund | 418,912 |
| Liquor Fund | 29,939 |
| Wastewater Fund | 407,537 |
| Telecom Fund | 339,892 |
| Windom Area Hospital | 1,371,219 |
| Arena Fund | 82,149 |
| Multi-Purpose Fund | 56,356 |
| River Bluff Townhomes | 28,082 |
| Total Depreciation Expense, | |
| Business-Type Activities | \$ 3,381,566 |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 CITY INDEBTEDNESS

City indebtedness at December 31, 2019 is composed of the following:

| Description | Initial Amount Issued | Maturity Date | Interest Rate | Outstanding Principal |
|---|-----------------------|---------------|---------------|-----------------------|
| General Obligation Bonds: | | | | |
| GO Refunding Bonds, Series 2012A | \$ 980,000 | 2023 | 0.55-2.20% | \$ 400,000 |
| GO Refunding Bonds, Series 2013A | 2,590,000 | 2034 | 2.00-3.50% | 1,935,000 |
| GO Refunding Bonds, Series 2013B | 615,000 | 2023 | 0.70-1.90% | 290,000 |
| GO Refunding Bonds, Series 2017C (2009A Ref) | 830,000 | 2025 | 2.00% | 715,000 |
| GO Refunding Bonds, Series 2017A | 2,870,000 | 2039 | 3.00-3.25% | 2,870,000 |
| GO Refunding Bonds, Series 2018A | 1,015,000 | 2028 | 3.00-3.40% | 1,015,000 |
| Total Governmental Activities - G.O. Bonds | 8,900,000 | | | 7,225,000 |
| Business-Type Activities: | | | | |
| GO Refunding Bonds, Series 2012A | 860,000 | 2023 | 0.55-2.20% | 215,000 |
| GO Refunding Bonds, Series 2013A | 1,810,000 | 2034 | 2.00-3.50% | 1,430,000 |
| GO Refunding Bonds, Series 2017A | 1,150,000 | 2039 | 3.00-3.25% | 1,110,000 |
| GO Refunding Bonds, Series 2018A | 855,000 | 2027 | 3.00% | 770,000 |
| GO Refunding Bonds, Series 2018B | 1,095,000 | 2038 | 3.00-3.40% | 1,050,000 |
| Total Business-Type Activities - G.O. Bonds | 5,570,000 | | | 4,575,000 |
| Total General Obligation Bonds | \$ 14,470,000 | | | \$ 11,800,000 |
| Capital Lease Obligations: | | | | |
| Lease Purchase - Emergency Services Facility | \$ 2,034,000 | 2037 | 2.75% | \$ 1,883,000 |
| Lease Purchase Obligations | \$ 2,034,000 | | | \$ 1,883,000 |
| Note Payable: | | | | |
| Governmental Activities: | | | | |
| Economic Development - Felda Area Credit Union | \$ 442,088 | 2016 | 4.40% | \$ 230,811 |
| Economic Development - Vendor Loans | 96,800 | 2019 | 0.00% | 4,500 |
| Housing and Redevelopment Authority | 125,000 | 2020 | 0.00% | 125,000 |
| Total Governmental Activities | 663,888 | | | 360,311 |
| Business-Type Activities: | | | | |
| River Bluff Townhomes - Bank of the West | 488,847 | 2031 | 2.01% | 285,422 |
| River Bluff Townhomes - MHFA | 353,305 | 2031 | 0.00% | 353,305 |
| River Bluff Townhomes - CMHF | 180,000 | 2031 | 0.00% | 143,262 |
| Water Purchase - Red Rock Rural Water System | 230,000 | 2023 | 0.00% | 84,333 |
| Total Business-Type Activities | 1,252,152 | | | 846,322 |
| Total Note Payable | \$ 1,916,050 | | | \$ 1,209,633 |
| General Obligation Revenue Bonds: | | | | |
| Business-Type Activities: | | | | |
| Wastewater Treatment Plant - Series 2012B | \$ 11,205,000 | 2032 | 3.00-3.65% | \$ 6,180,000 |
| GO Wastewater Treatment Plant - Series 2014A | 3,600,000 | 2039 | 1.00-4.00% | 2,315,000 |
| GO Wastewater Treatment Plant - Series 2014A | 5,000,000 | 2038 | 1.00% | 4,500,000 |
| CWRP Wastewater Treatment Plant | 6,378,656 | 2038 | | 5,770,323 |
| Total Business-Type Activities Revenue Bonds | \$ 26,273,656 | | | \$ 20,983,323 |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2019:

| | Beginning of Year | Additions | Retirements | End of Year | Due Within One Year |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 7,770,000 | \$ - | \$ 545,000 | \$ 7,225,000 | \$ 680,000 |
| Bond Subtotal | 7,770,000 | - | 545,000 | 7,225,000 | 680,000 |
| Bond Premium | 149,981 | - | 9,258 | 140,723 | - |
| Net Bond Subtotal | 7,919,981 | - | 554,258 | 7,365,723 | 680,000 |
| Capital Lease Obligations | 1,983,000 | - | 80,000 | 1,883,000 | 82,000 |
| Note Payable | 419,580 | - | 59,289 | 360,311 | 31,060 |
| Compensated Absences | 223,065 | 135,044 | 124,289 | 233,820 | - |
| Total Governmental Activities | 10,525,626 | 135,044 | 817,814 | 9,842,856 | 803,060 |
| Business-Type Activities: | | | | | |
| General Obligation Bonds | 4,900,000 | - | 325,000 | 4,575,000 | 325,000 |
| General Obligation Revenue Bonds | 16,239,000 | 6,378,656 | 1,624,333 | 20,993,323 | 1,578,000 |
| Bond Subtotal | 21,139,000 | 6,378,656 | 1,949,333 | 25,568,323 | 1,903,000 |
| Bond Premium | 215,944 | - | 17,229 | 198,715 | - |
| Bond Discount | (72,377) | - | (4,750) | (67,627) | - |
| Net Bond Subtotal | 21,282,567 | 6,378,656 | 1,961,812 | 25,699,411 | 1,903,000 |
| Notes Payable | 886,532 | - | 40,210 | 846,322 | 42,000 |
| Compensated Absences | 424,783 | 197,691 | 246,689 | 375,785 | - |
| Total Business-Type Activities | 22,593,892 | 6,576,347 | 2,248,711 | 26,921,528 | 1,945,000 |
| Total Debt | \$ 33,119,518 | \$ 6,711,391 | \$ 3,066,525 | \$ 36,764,384 | \$ 2,748,060 |

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

| Year Ending December 31, | Governmental Activities | | Business-Type Activities | |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 803,060 | \$ 247,436 | \$ 946,311 | \$ 1,972,353 |
| 2021 | 1,118,251 | 222,660 | 1,340,911 | 2,674,558 |
| 2022 | 772,000 | 200,106 | 974,106 | 2,680,890 |
| 2023 | 794,000 | 180,980 | 974,106 | 2,642,603 |
| 2024 | 647,000 | 162,983 | 809,983 | 2,636,805 |
| 2025-2029 | 2,507,000 | 588,632 | 3,095,632 | 2,577,730 |
| 2030-2034 | 1,760,000 | 297,859 | 2,057,859 | 11,822,408 |
| 2035-2039 | 1,087,000 | 71,617 | 1,138,617 | 6,326,992 |
| Totals | \$ 9,468,311 | \$ 1,972,353 | \$ 11,440,684 | \$ 32,390,536 |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2019, including interest of \$7,948,244 are as follows:

| Year Ending December 31, | Amount |
|--------------------------|---------------|
| 2020 | \$ 3,725,054 |
| 2021 | 4,021,801 |
| 2022 | 3,614,709 |
| 2023 | 3,611,795 |
| 2024 | 3,387,723 |
| 2025-2029 | 14,918,100 |
| 2030-2034 | 8,384,651 |
| 2035-2039 | 2,167,167 |
| Total | \$ 43,831,200 |

In 2012, the City issued \$1,640,000 in General Obligation Refunding Bonds (Series 2012A) for a crossover refunding of the Series 2005A General Obligation Bonds maturing in 2014 through 2021 and of the Series 2007B General Obligation Improvement Bonds maturing in 2016 through 2023. Refunding bond proceeds for the crossover refunding of Series 2005A were placed in an escrow account and liquidated on the crossover refunding date of February 1, 2013. Refunding bond proceeds for the crossover refunding of Series 2007B were placed in an escrow account and liquidated on the crossover refunding date of February 1, 2015.

In 2011 the City issued \$3,090,000 General Obligation Water and Sewer Revenue Bonds (Series 2011A) which matures in 2029 with interest ranging from 1.00 % to 4.00% to be paid semi-annually.

In 2012 the City also issued \$11,205,000 Communication System Refunding Bonds, Series 2012B which matures in 2032 with interest ranging from 3.00 % to 3.63 to be paid semi-annually.

During 2013, the City issued \$4,400,000 in General Obligation Improvement Bonds (Series 2013A) for the purpose of financing the construction of 2013 Street Improvement Project, including utility system improvements within the City.

During 2013 the City also issued \$615,000 in General Obligation Bonds (Series 2013B) for the purpose of financing the purchase of equipment and the North Windom Industrial Park Subdivision.

In 2014, the Hospital issued \$5,600,000 in Gross Revenue Hospital Bonds (Series 2014A) for partial financing of a hospital expansion and renovation project. Principal payments are due annually commencing September 2016 to September 2034 with interest paid semi-annually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds are payable from the gross revenues of the Hospital.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

In 2016 the City issued \$2,034,000 Lease Purchase Agreement for partial funding of the Emergency Services Facility. Principal payments are due annually commencing February 2019 to February 2037 with interest at 2.79 % to be paid semi-annually.

In 2017, the City issued \$4,020,000 in GO Improvement and Utility Revenue Bonds, Series 2017A maturing in 2019 through 2039 with interest ranging from 3.00 % to 3.25 % to be paid semi-annually.

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

In 2017, the City issued \$830,000 in General Obligation Improvement Refunding Bonds (Series 2017C) for a current refunding of the Series 2009A General Obligation Bonds maturing in 2019 through 2025. The total cash flow savings to the City attributable to the refunding of these bonds is \$43,759 with a net present value of approximately \$40,706.

In 2017, the City obtained financing from the HRA and from a vendor related to fill and land held for resale, both recorded as assets in the EDA fund. The amount of financing obtained from the HRA was \$125,000 and the amount obtained from the vendor was \$96,800, respectively.

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

In 2019, the City issued \$6,378,656 debt in 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 hereon 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 water treatment plant rehabilitation and expansion. The total available loan is \$9,624,333. At December 31, 2019, the City had drawn \$6,378,656 of the total available loan. The City intends to complete the project and draw the remaining balance during 2020.

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Fund

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

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for Members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equals 90 and normal retirement age is the age for unreduced Social Security benefits capped at 66.

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of credited service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2019 were \$754,870. The City contributions were equal to the required contributions as set by state statute.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions
Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$106,463. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$7,499,285 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$242,689. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0351% which was a decrease of 0.0008% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$619,452 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$47,044 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 200,911 | \$ 162,125 |
| Changes in Actuarial Assumptions | 530,995 | 777,110 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 764,712 |
| Changes in Proportion | 173,775 | 196,391 |
| Contributions Paid to PERA Subsequent to the Measurement Date | 553,561 | - |
| Total | <u>\$ 1,459,242</u> | <u>\$ 1,900,338</u> |

\$553,561 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Amount |
|--------------------------|-----------|
| 2020 | \$ 39,458 |
| 2021 | (406,008) |
| 2022 | (515,215) |
| 2023 | (112,892) |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019 the City reported a liability of \$607,890 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the City's proportion was 0.0571% which was an increase of 0.0015% from its proportionate share measured as of June 30, 2018. The City also recognized \$7,708 for the year ended December 31, 2019, 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019 the City recognized pension expense of \$82,497 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 25,810 | \$ 92,527 |
| Changes in Actuarial Assumptions | 504,450 | 682,471 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | |
| Changes in Proportion | 30,158 | 126,609 |
| | | 4,830 |
| Contributions Paid to PERA Subsequent to the Measurement Date | 51,323 | |
| Total | \$ 611,741 | \$ 906,437 |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$51,323 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense Amount |
|--------------------------|------------------------|
| 2020 | \$ (35,612) |
| 2021 | (80,800) |
| 2022 | (238,127) |
| 2023 | 2,656 |
| 2024 | 3,864 |

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|-----------------------|
| Inflation | 2.50 percent per year |
| Salary Increases | 3.25 percent per year |
| Investment Rate of Return | 7.50 percent |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability rates for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund
Changes in Actuarial Assumptions

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)
Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.
- There have been no changes since the prior valuation.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Equity | 35.5% | 5.10% |
| Private Markets | 25.0% | 5.90% |
| Fixed Income | 20.0% | 0.75% |
| International Equity | 17.5% | 5.90% |
| Cash Equivalents | 2.0% | 0.00% |
| Total | 100% | |

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

| Description | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|-----------------------|---------------------------------|-----------------------|
| City's Proportionate Share of the General Employee's Plan Net Pension Liability | \$ 12,223,818 | \$ 7,499,285 | \$ 3,599,035 |

| Description | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|---------------------------------|-----------------------|
| City's Proportionate Share of the Police and Fire Plan Net Pension Liability | \$ 1,326,728 | \$ 607,890 | \$ 12 |

H. Aggregate Pension Costs

At December 31, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

| | General Employees Retirement Plan | Public Employees Police and Fire Fund | Fire Relief Association | Total |
|--------------------------------|-----------------------------------|---------------------------------------|-------------------------|--------------|
| Net Pension Liability | \$ 7,499,285 | \$ 607,890 | \$ - | \$ 8,107,175 |
| Net Pension Asset | - | - | (415,676) | (415,676) |
| Deferred Outflows of Resources | 1,459,242 | 611,741 | 128,572 | 2,199,555 |
| Deferred Inflows of Resources | 1,900,338 | 906,437 | 48,406 | 2,855,181 |
| Pension Expense | 619,452 | 92,497 | (4,478) | 707,471 |

I. Pension Plan Fiduciary Net Position

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Windom during fiscal year 2019 were:

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

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2019 as follows:

| | |
|-----------------------------------|-------------|
| Other Governmental Funds: | |
| 4th Ave Improvement Bond Fund | \$ (45,698) |
| 2007 Street Improvement Bond Fund | (172,058) |
| 2003 Improvement Bond Fund | (220,560) |
| 2020 Street Capital Project Fund | (121,730) |
| Proprietary Funds: | |
| Telecom | (7,528,353) |
| River Bluff Townhomes | (78,899) |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

A. Deficit Fund Balances/Net Position (Continued)

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

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due to/from Other Funds

Individual fund receivable and payable balances at December 31, 2019 are as follows:

| Fund | Interfund Receivables Due from Other Funds | | Interfund Payables Due to Other Funds | | Description |
|-----------------------------|--|-----------|---------------------------------------|-----------|------------------------|
| | \$ | 522,502 | \$ | 522,502 | Eliminate Deficit Cash |
| General Fund | | | | | Eliminate Deficit Cash |
| Nonmajor Governmental Funds | | | | | |
| Proprietary Funds: | | | | | |
| Electric Fund | | 1,282,108 | | - | Eliminate Deficit Cash |
| Telecom Fund | | | | 1,282,108 | Eliminate Deficit Cash |
| Total Due To/From | \$ | 1,804,610 | \$ | 1,804,610 | |

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

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Transfers

Transfers between funds during 2019 are as follows:

| | Transfer In | Transfer Out | Description |
|-------------------------------------|---------------------|---------------------|--------------------------------------|
| Major Governmental Funds: | | | |
| General Fund | \$ 245,000 | \$ - | Annual Contribution |
| General Fund | - | 28,035 | Transfer of Debt Payment |
| General Fund | - | 77,815 | Funding for Arena Project |
| General Fund | 200,000 | - | Transfer for Tennis Courts Project |
| Economic Development Fund | - | 29,932 | Backup generator purchase |
| General Fund | 4,500 | - | Transfer for City Wide Network |
| General Fund | 67,750 | - | Transfer for Ice System Project |
| Nonmajor Governmental Funds: | | | |
| Capital Projects Funds | | | |
| Capital Projects Fund | 55,000 | - | Transfer of Debt Payment |
| Capital Projects Fund | - | 200,000 | Transfer for Tennis Courts Project |
| 2017 Street Capital Project Fund | 34,760 | - | Transfer of Debt Payment |
| Debt Service Funds: | | | |
| GO Special Assessment Bond | 28,035 | - | Transfer of Debt Payment |
| GO Special Assessment Bond | - | 333,223 | Transfer for deficit in fund balance |
| 2006A Refunding Bond Fund | 333,223 | - | Transfer for deficit in fund balance |
| 2009 Street Improvement Bond Fund | 37,830 | - | Transfer of Debt Payment |
| Major Enterprise Funds: | | | |
| Water Utility | - | 750 | Transfer for City Wide Network |
| Water Utility | - | 45,203 | Transfer of Debt Payment |
| Wastewater Utility | 28,932 | - | Backup generator purchase |
| Wastewater Utility | - | 750 | Transfer for City Wide Network |
| Wastewater Utility | - | 27,387 | Transfer of Debt Payment |
| Electric Utility | - | 750 | Transfer for City Wide Network |
| Electric Utility | - | 175,000 | Annual Contribution |
| Electric Utility | - | 25,000 | Transfer of Debt Payment |
| Electric Utility | 1,400 | - | Trailer purchase |
| Nonmajor Enterprise Funds | | | |
| Telecom Fund | - | 2,250 | Transfer for City Wide Network |
| Liquor | - | 70,000 | Annual Contribution |
| Liquor | - | 30,000 | Transfer of Debt Payment |
| Telecom Fund | - | 1,400 | Trailer purchase |
| Nonmajor Enterprise Funds: | | | |
| Arena | 77,615 | - | Funding for Arena Project Debt |
| Arena | - | 67,750 | Transfer for Ice System Project |
| Total | \$ 1,115,045 | \$ 1,115,045 | |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9

RISK MANAGEMENT

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

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

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

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

NOTE 10

VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

A. Plan Description

Firefighters of the City of Windom are members of the Windom Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2019, membership includes 33 active participants. The plan issues a stand-alone financial statement.

B. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$2,600 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.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

B Benefits Provided (Continued)

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$2,600 for each year the member was an active member of the City of Windom Fire Department. A death benefit is also available, which is payable to a survivor.

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

C. Contributions

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

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

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$48,148 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2019 was \$-0-.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs

At December 31, 2019, the City reported an asset of \$415,676 for the Association's net pension asset/liability. The net pension asset/liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$(4,478) for the year ended December 31, 2019. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ - | \$ 48,406 |
| Changes in Actuarial Assumptions | 16,152 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 112,420 | - |
| Changes in Proportion | - | - |
| Contributions Paid to PERA Subsequent to the Measurement Date | - | - |
| Total | \$ 128,572 | \$ 48,406 |

The City contributions to the Association subsequent to the measurement date, \$-0- reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense Amount |
|--------------------------|------------------------|
| 2020 | \$ 31,040 |
| 2021 | 9,619 |
| 2022 | 12,825 |
| 2023 | 34,179 |
| 2024 | (6,335) |
| Thereafter | (1,162) |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT

| | |
|---------------------------|-------------------|
| Valuation Date | December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar |
| | Closed |
| Actuarial Assumptions: | |
| Discount Rate | 6.00% |
| Investment Rate of Return | 6.50% |
| Inflation rate | 2.50% |
| Age of Service Retirement | 50 |

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2019 are summarized in the following table:

| Asset Class | Allocation at December 31, 2018 | Long-Term Expected Real Rate of Return |
|--|---------------------------------|--|
| Cash and Equivalents | 20.94% | 0.56% |
| Fixed Income | 17.01% | 1.99% |
| Domestic Equity | 49.16% | 4.95% |
| International Equity | 12.12% | 5.24% |
| Real Estate and Alternatives | 0.77% | 4.19% |
| Total Portfolio | 100.00% | |
| Total Portfolio Expected Real Rate of Return | | 6.00% |

F. Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

G. Pension Liability Sensitivity

The following presents the City of Windom's proportionate share of the net pension liability of the Association, calculated using the discount rate of 6.5 percent, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

| | 1% Decrease \$ (393,383) | Discount Rate \$ (415,676) | 1% Increase \$ (437,307) |
|-----------------------|-----------------------------|-------------------------------|-----------------------------|
| Net Pension Liability | | | |
| Discount Rate | 5.50% | 6.50% | 7.50% |

H. Plan's Fiduciary Net Position

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

| | December 31, 2018 Measurement Date |
|--|---------------------------------------|
| Total Pension Liability | |
| Service Cost | \$ 32,592 |
| Interest | 48,213 |
| Change in Assumptions | 14,428 |
| Benefit Payments | (277,650) |
| Differences Between Expected and Actual Experience | (2,014) |
| Changes of Benefit Terms | |
| Net Change in Total Pension Liability | (184,431) |
| Total Pension Liability - Beginning | 847,979 |
| Total Pension Liability - Ending (a) | 663,548 |
| Plan Fiduciary Net Position | |
| Municipal Contributions | |
| State Contributions | 52,244 |
| Donations and Other Income | 39,953 |
| Net Investment Income | (121,123) |
| Benefit Payments | (277,650) |
| Administrative Expenses | (4,350) |
| Net Change in Fiduciary Net Position | (310,926) |
| Fiduciary Net Position - Beginning | 1,390,150 |
| Fiduciary Net Position - Ending (b) | 1,079,224 |
| Association's Net Pension Liability/(Asset) - Ending (a) - (b) | \$ (415,676) |

I. Plan's Fiduciary Net Position Pension Liability Sensitivity

Detailed information about the pension plan's fiduciary net position is available in a separately issued financial report that includes financial statements and required supplementary information.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City operates a single-employer defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the City's health insurance plan. There are 44 active participants and 5 retired participants. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

B. Benefits Provided

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

C. Actuarial Methods and Assumptions

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017 using the alternate measurement method.

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

| | |
|---------------------|--|
| Inflation | 2.75% |
| Discount Rate | 3.71% |
| Medical Trend Rates | 6.30% Decreasing Over Several Years to an Ultimate Rate of 4.40% in FY2075 and Later Years |

Mortality Rates were based on the RP-2014 mortality tables with projected monthly improvements based on Scale MP-2017, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.71%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Since the most recent actuarial valuation, the following changes have been made:

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.

D. Changes in the total OPEB Liability

| | |
|------------------------------------|----------------------|
| Balances at December 31, 2018 | Total OPEB Liability |
| Changes for the Year: | \$ 508,475 |
| Service Cost | |
| Interest Cost | 46,569 |
| Change of Assumptions | 18,144 |
| Benefit Payments | (49,273) |
| Net Change in Total OPEB Liability | (42,141) |
| Balances at December 31, 2019 | \$ 481,774 |

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

| | | | |
|----------------------|---------------------|-----------------------|---------------------|
| Total OPEB Liability | 1% Decrease (2.71%) | Discount Rate (3.71%) | 1% Increase (4.71%) |
| | \$ 523,132 | \$ 481,774 | \$ 443,813 |

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.3% decreasing over several years to an ultimate rate of 3.4% in FY2075 and later years) or 1% higher (7.3% decreasing to 5.4% over several years) than the current healthcare cost trend rates:

| | | | |
|----------------------|----------------------------|---------------------|----------------------------|
| Total OPEB Liability | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
| | \$ 295,965 | \$ 335,264 | \$ 382,860 |

For the year ended December 31, 2019, the City recognized OPEB Expense of \$15,440. At December 31, 2019, the City reported no deferred inflow of resources, and \$30,747 in deferred outflows of resources resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year December 31, 2019.

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 TAX ABATEMENTS

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City as authorized under Minnesota Statute §469.174. The City reaches agreements with the businesses related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. These districts stop collections at various times with the last ones being December 31, 2024. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$488,244. No other commitments were made by the City as part of these agreements.

The City entered into a property tax abatement agreement with a local business to promote economic development/redevelopment and to increase the tax base as authorized under Minnesota Statutes §469. The City entered into the agreement during 2012 to abate property taxes. To be eligible for abated property taxes, the Developer needed to renovate an existing building, retaining and increasing jobs, and increasing the tax base of the City, County, and State. For the year ended December 31, 2019, the City abated taxes totaling \$17,008 on this agreement. No other commitments were made by the City as part of this agreement.

NOTE 13 FUND BALANCE

At December 31, 2019, the City had various fund balances restricted, or assigned through legal restriction and City Council authorization. Major fund balance appropriations at December 31, 2019 are shown on the various balance sheets as segregations of fund balance. The fund balances are as follows:

| | General Fund | Economic Development Fund | Other Governmental Funds | Governmental Funds Total |
|------------------------------------|--------------|---------------------------|--------------------------|--------------------------|
| Nonspendable: | | | | |
| Inventory | \$ 55,550 | \$ 205,700 | \$ - | \$ 261,250 |
| Total Nonspendable | 55,550 | 205,700 | - | 261,250 |
| Committed: | | | | |
| Donations for Fire, Well, and Park | 67,650 | - | - | 67,650 |
| Restricted: | | | | |
| Debt Service | - | - | 590,472 | 590,472 |
| Tax Increment Funding | - | 1,025,635 | - | 1,025,635 |
| Capital Projects | - | - | 668,454 | 668,454 |
| Total Restricted | - | 1,025,635 | 1,258,926 | 2,284,561 |
| Assigned: | | | | |
| Ambulance | - | - | 1,500,611 | 1,500,611 |
| Economic Development | - | 1,251,800 | - | 1,251,800 |
| Airport | 142,702 | - | - | 142,702 |
| Library | 226,060 | - | - | 226,060 |
| Pool | 75,085 | - | - | 75,085 |
| Police | 3,862 | - | - | 3,862 |
| Capital Projects | 627,854 | - | - | 627,854 |
| Sick Pay at Retirement | 229,810 | - | - | 229,810 |
| Total Assigned | 1,305,593 | 1,251,800 | 1,500,611 | 4,058,004 |
| Unassigned | 2,314,832 | - | (660,046) | 1,754,786 |
| Total Fund Balance | \$ 3,743,825 | \$ 2,487,435 | \$ 2,198,491 | \$ 8,427,251 |

CITY OF WINDOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14 COMMITMENTS AND CONTINGENCIES

- A. Federal and State Funds
- The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time.
- B. Electric Power Purchase Agreement
- Under its wholesale power agreement with Western Area Power Administration (WAPA), the city is committed to purchase a portion of its electric power and energy subject Contracted Rate of Delivery (CROD) effective through December 31, 2050, unless otherwise terminated.
- Under its wholesale power agreement with the Central Minnesota Municipal Power Agency (CMMP A), its Market Participant Agreement and Agreement for Additional Services, the city is committed to purchase the remaining portion of its electric power and energy through CMMP A unless otherwise terminated.
- C. Construction Contract Commitments
- The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$3,934,747 at December 31, 2019.

NOTE 15 RESTATEMENT

During the year ended December 31, 2019, Windom Area Health adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the May 1, 2018 net position as follows:

| | As Previously Stated | Change in Accounting Principle | As Restated |
|--------------------------------|----------------------|--------------------------------|---------------|
| Net Position as of May 1, 2018 | \$ 18,453,744 | \$ (124,280) | \$ 18,329,464 |

Additional information is available in the separately issued financial statement of Windom Area Health, which may be obtained by contacting Administration at Windom Area Health, 2150 Hospital Drive, P.O. Box 339, Windom, Minnesota 56101.

NOTE 16 SUBSEQUENT EVENTS

In March 2020, the City approved the sale of Communication System Annual Appropriation Refunding Bonds, Series 2020A for \$7,850,000. In April 2020, the City approved the sale of \$4,240,000 General Obligation Improvement Bonds Series 2020B and \$345,000 General Obligation Improvement Bonds Series 2020C.

(This page intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINDOM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019

| | Measurement Date December 31, 2018 | Measurement Date December 31, 2017 |
|---|---------------------------------------|---------------------------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 46,569 | \$ 25,246 |
| Interest Cost | 18,144 | 14,108 |
| Changes of Assumptions | (49,273) | 14,751 |
| Benefit Payments | (42,141) | (29,935) |
| Net Change in Total OPEB Liability | (26,701) | 24,170 |
| Total OPEB Liability - Beginning | 508,475 | 360,022 |
| Total OPEB Liability - Ending (a) | \$ 481,774 | \$ 384,192 |
| Covered-Employee Payroll | \$ 2,915,407 | \$ 9,238,069 |
| Agency's OPEB Liability as a Percentage of Covered Payroll | 16.53% | 4.16% |

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

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

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

| | Measurement Date June 30, 2019 | Measurement Date June 30, 2018 | Measurement Date June 30, 2017 | Measurement Date June 30, 2016 | Measurement Date June 30, 2015 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| City - GERR | | | | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.0351% | 0.0359% | 0.0366% | 0.0375% | 0.0450% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 7,469,265 | \$ 8,439,358 | \$ 10,074,407 | \$ 8,243,742 | \$ 2,086,920 |
| State's Proportionate Share of the Net Pension Liability Associated with the City of Windom | \$ 242,889 | \$ 146,437 | \$ 29,390 | \$ 30,236 | N/A |
| City's Covered Payroll | \$ 9,818,915 | \$ 9,238,069 | \$ 8,685,475 | \$ 8,309,468 | \$ 2,378,626 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 78.38% | 91.35% | 115.99% | 99.21% | 88.24% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.20% | 75.90% | 68.80% | 68.80% | 70.20% |
| PERFF | | | | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.0571% | 0.0569% | 0.0565% | 0.0547% | 0.0500% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 607,680 | \$ 557,634 | \$ 750,467 | \$ 2,207,248 | \$ 624,929 |
| City's Covered-Employee Payroll | \$ 607,744 | \$ 565,562 | \$ 570,375 | \$ 526,851 | \$ 506,660 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 101.00% | 100.35% | 132.56% | 418.67% | 138.33% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 88.30% | 88.84% | 63.90% | 63.90% | 63.90% |
| Fire Relief Association | | | | | |
| City's Proportion of the Net Pension Liability (Asset) | 100% | 100% | 100% | 100% | 100% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ (415,676) | \$ (542,171) | \$ (360,080) | \$ (360,080) | \$ (182,219) |
| City's Covered Payroll | N/A | N/A | N/A | N/A | N/A |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | N/A | N/A | N/A | N/A | N/A |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 162.64% | 163.64% | 142.27% | 142.27% | 138.33% |

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

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------|------------|------------|------------|------------|
| City - GERF | | | | | |
| Contractually Required Contribution | \$ 754,970 | \$ 688,485 | \$ 629,920 | \$ 603,670 | \$ 597,559 |
| Contributions in Relation to the Contractually Required Contribution | (754,970) | (688,485) | (629,920) | (603,670) | (597,559) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's Covered Payroll | 9,918,915 | 9,238,069 | 8,685,475 | 8,309,488 | 8,330,307 |
| Contributions as a Percentage of Covered Employee Payroll | 7.89% | 7.24% | 7.25% | 7.26% | 7.17% |
| PEPFF | | | | | |
| Contractually Required Contribution | \$ 108,463 | \$ 94,866 | \$ 92,401 | \$ 85,366 | \$ 82,258 |
| Contributions in Relation to the Contractually Required Contribution | (108,463) | (94,866) | (92,401) | (85,366) | (82,258) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's Covered Payroll | 601,744 | 585,592 | 570,375 | 526,951 | 507,766 |
| Contributions as a Percentage of Covered Employee Payroll | 17.89% | 16.20% | 16.20% | 16.20% | 16.20% |
| Fire Relief Association | | | | | |
| Statutorily Required Contribution | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in Relation to the Statutorily Required Contribution | - | - | - | - | - |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's Covered Payroll | - | - | - | - | - |
| Contributions as a Percentage of Covered Employee Payroll | N/A | N/A | N/A | N/A | N/A |

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

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

| | December 31, 2018 Measurement Date | December 31, 2017 Measurement Date | December 31, 2016 Measurement Date | December 31, 2015 Measurement Date |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 32,592 | \$ 29,294 | \$ 30,656 | \$ 28,015 |
| Interest | 48,213 | 57,717 | 53,502 | 50,008 |
| Change in Assumptions | 14,428 | 2,231 | - | - |
| Benefit Payments | (277,850) | (52,250) | (53,800) | - |
| Differences Between Expected and Actual Experience | (2,014) | (62,246) | - | - |
| Net Change in Total Pension Liability | (184,431) | (3,917) | 32,540 | 76,023 |
| Total Pension Liability - Beginning | 847,979 | 851,896 | 819,355 | 741,333 |
| Total Pension Liability - Ending (a) | 663,548 | 847,979 | 851,896 | 819,356 |
| Plan Fiduciary Net Position | | | | |
| Municipal Contributions | - | - | - | 5,000 |
| State Contributions | 52,244 | 49,576 | 49,132 | 49,942 |
| Net Investment Income | (121,323) | 187,248 | 87,136 | - |
| Net Investment Income | (277,650) | (59,650) | (57,688) | (34,324) |
| Administrative Expenses | (4,350) | - | - | (1,051) |
| Net Change in Fiduciary Net Position | (310,929) | 176,174 | 76,580 | 19,567 |
| Fiduciary Net Position - Beginning | 1,300,150 | 1,211,976 | 1,133,396 | 1,113,829 |
| Fiduciary Net Position - Ending (b) | 989,221 | 1,388,150 | 1,211,976 | 1,133,396 |
| Association's Net Pension Liability/(Asset) - Ending (a) - (b) | \$ (415,678) | \$ (540,171) | \$ (360,080) | \$ (314,040) |
| Fiduciary Net Position as a Percentage of the Total Pension Liability | 182.64% | 163.94% | 142.27% | 138.33% |
| Covered Payroll | N/A | N/A | N/A | N/A |
| Net Pension Liability/(Asset) as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A |

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

A. General Employees Fund

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

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

2016

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

B. Police and Fire Fund

2019

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

2018

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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

B. Police and Fire Fund (Continued)

2017

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

2016

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

2015

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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

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

2019

- The discount rate was changed from 3.31% to 3.71%.

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

2018

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

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

2019

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

2018

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

2017

- No changes.

2016

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

(This page intentionally left blank)

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

**CITY OF WINDOM, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

| | Special Revenue Fund | Capital Projects Funds | Debt Service Fund |
|--|-------------------------|--|--|
| | Ambulance Fund | 2017 Street Capital Project Fund | 2020 Street Capital Project Fund |
| ASSETS | | | |
| Cash and Investments | \$ 1,056,115 | \$ 55,568 | \$ 612,886 |
| Accounts Receivable | 475,381 | - | - |
| Special Assessments Receivable | - | - | 389,314 |
| Total Assets | \$ 1,531,476 | \$ 55,568 | \$ 1,012,200 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | | | |
| LIABILITIES | | | |
| Accounts and Contracts Payable | \$ 16,428 | \$ - | \$ - |
| Other Accrued Liabilities | 14,437 | - | 37,544 |
| Due to Other Funds | - | - | 84,186 |
| Total Liabilities | 30,865 | - | 121,730 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | - | - | 389,314 |
| Total Deferred Outflows of Resources | - | - | 389,314 |
| FUND BALANCE (DEFICIT) | | | |
| Restricted | - | 55,568 | 612,886 |
| Assigned | 1,500,611 | - | - |
| Unassigned | - | - | (121,730) |
| Total Fund Balance (Deficit) | 1,500,611 | 55,568 | (121,730) |
| Total Liabilities and Fund Balance (Deficit) | \$ 1,531,476 | \$ 55,568 | \$ 1,012,200 |

**COMBINING NONMAJOR FUND
FINANCIAL STATEMENTS**

CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019

| | Special Revenue Fund | | Capital Project Funds | | | Debt Service Fund |
|---|----------------------|----------------------|----------------------------------|----------------------------------|-------------------------------|-------------------|
| | Amblance Fund | Capital Project Fund | 2017 Street Capital Project Fund | 2020 Street Capital Project Fund | 4th Ave Improvement Bond Fund | |
| REVENUE | | | | | | |
| General | \$ | \$ | \$ | \$ | \$ | \$ |
| Intergovernmental | - | - | 66,652 | 81,778 | - | 42,827 |
| Special Assessments | - | - | - | 61,695 | - | - |
| Charges for Services | 827,853 | - | - | - | - | - |
| Interest Income | 13,849 | 631 | - | 8,051 | - | - |
| Refunds and Reimbursements | 929 | - | - | - | - | - |
| Miscellaneous | - | - | 18,485 | - | - | - |
| Total Revenue | 842,631 | 87,788 | 87,788 | 151,524 | - | 42,827 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public Safety | 487,303 | - | - | - | - | - |
| Public Works | - | - | - | 3,550 | 121,730 | 855 |
| Capital Outlay: | | | | | | |
| Public Safety | 93,752 | - | - | - | - | - |
| Public Works | - | - | - | - | - | - |
| Capital Leases: | | | | | | |
| Principal | - | 80,000 | - | - | - | - |
| Interest and Fiscal Charges | - | 53,633 | - | - | - | - |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | - | 26,950 |
| Interest and Fiscal Charges | - | - | - | 86,195 | - | 1,236 |
| Total Expenditures | 581,055 | 133,633 | 86,195 | 91,745 | 121,730 | 29,041 |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | | | | | | |
| | 261,576 | (45,855) | 59,779 | (121,730) | 13,786 | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfer In | - | 55,000 | 34,760 | - | - | - |
| Transfer Out | - | (200,000) | - | - | - | - |
| Proceeds from Sale of Capital Assets | 3,000 | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 3,000 | (145,000) | 34,760 | - | - | - |
| NET CHANGE IN FUND BALANCE | | | | | | |
| | 264,576 | (190,855) | 94,539 | (121,730) | 13,786 | |
| Fund Balance (Deficit) - Beginning of Year | 1,296,035 | 246,433 | 516,347 | - | (59,484) | |
| FUND BALANCE (DEFICIT) - END OF YEAR | \$ 1,500,611 | \$ 55,568 | \$ 612,886 | \$ (121,730) | \$ (45,698) | |

STATEMENT OF NET
DECEMBER 31, 2019

| ASSETS | | Multi-Purpose Center Fund | | River Bluff Townhomes | Totals 2019 |
|---|-------------|---------------------------|-------------|-----------------------|-------------|
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 153,666 | \$ 322,933 | \$ 136,428 | \$ 613,027 | |
| Accounts Receivable | 31,831 | - | 1,226 | 33,057 | |
| Total Current Assets | 185,497 | 322,933 | 137,654 | 646,084 | |
| Capital Assets: | | | | | |
| Buildings and Improvements | 2,531,899 | 2,000,036 | 1,123,288 | 5,655,223 | |
| Machinery and Equipment | 398,827 | 280,869 | - | 679,695 | |
| Total Capital Assets | 2,930,726 | 2,280,905 | 1,123,288 | 6,339,919 | |
| Less: Accumulated Depreciation | (1,346,718) | (1,274,736) | (566,142) | (3,187,596) | |
| Net Capital Assets | 1,584,008 | 1,006,169 | 557,146 | 3,147,322 | |
| Total Assets | 1,769,505 | 1,329,101 | 694,800 | 3,793,406 | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension Related | 6,136 | 5,718 | - | 11,854 | |
| Other Postemployment Benefits Related | 1,478 | 1,474 | - | 3,252 | |
| Total Deferred Outflows of Resources | 7,614 | 7,492 | - | 15,106 | |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable | 3,252 | 2,572 | 4,821 | 10,445 | |
| Accrued Salaries and Fringes | 5,547 | 5,637 | - | 11,184 | |
| Accrued Interest Payable | 13,487 | - | 375 | 13,862 | |
| Other Accrued Liabilities | 87,992 | 1,844 | - | 89,836 | |
| Current Portion Other Postemployment Benefits Liability | 1,478 | 1,774 | - | 3,252 | |
| Unearned Revenue | - | 2,200 | 6,716 | 8,916 | |
| Current Portion of Bonds Payable | 40,000 | - | 18,000 | 58,000 | |
| Total Current Liabilities | 151,756 | 14,027 | 30,712 | 196,495 | |
| NONCURRENT LIABILITIES | | | | | |
| Compensated Absences | 20,013 | 9,907 | - | 29,920 | |
| Net Pension Liability | 80,960 | 75,453 | - | 156,413 | |
| Other Postemployment Benefits Liability | 14,641 | 17,567 | - | 32,208 | |
| Bonds Payable - Long-Term | 1,055,449 | - | 742,987 | 1,798,436 | |
| Total Noncurrent Liabilities | 1,171,063 | 102,927 | 742,987 | 2,016,977 | |
| Total Liabilities | 1,322,819 | 116,954 | 773,699 | 2,213,472 | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension Related | 17,276 | 16,101 | - | 33,377 | |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 488,559 | 1,006,168 | (204,842) | 1,289,885 | |
| Unrestricted | (51,539) | 197,370 | 125,943 | 271,778 | |
| Total Net Position | \$ 437,024 | \$ 1,203,538 | \$ (78,899) | \$ 1,561,663 | |

| Debt Service Funds | | | | | | |
|--------------------|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|----------------------------|--------------|
| 2013 Street Fund | 2008A Refunding Bond Fund | 2007 Street Improvement Bond Fund | 2009 Street Improvement Bond Fund | GO Special Assessment Bond Fund | 2003 Improvement Bond Fund | 2019 Total |
| \$ 93,338 | \$ - | \$ 84,315 | \$ 55,170 | \$ 34,726 | \$ - | \$ 460,006 |
| 79,835 | - | - | 17,390 | 2,893 | - | 161,803 |
| 49,163 | - | 6,625 | - | - | - | 827,853 |
| - | - | - | - | - | - | 22,531 |
| - | - | - | - | - | - | 929 |
| 173,173 | - | 84,315 | 72,560 | 37,609 | - | 18,485 |
| | | | | | | 1,492,407 |
| 1,235 | - | - | 853 | 699 | 360 | 487,303 |
| - | - | - | - | - | - | 129,302 |
| - | - | - | - | 10,224 | - | 93,752 |
| - | - | - | - | - | - | 10,224 |
| - | - | - | - | - | - | 80,000 |
| - | - | - | - | - | - | 53,633 |
| 135,000 | - | 75,000 | 115,000 | 55,050 | 120,000 | 525,000 |
| 49,163 | - | 6,625 | 15,450 | 4,017 | 1,110 | 165,796 |
| 185,398 | - | 81,625 | 131,303 | 67,990 | 121,490 | 1,545,010 |
| (12,225) | - | 2,690 | (58,743) | (30,361) | (121,490) | (52,603) |
| - | 333,223 | - | 37,830 | 28,035 | - | 488,848 |
| - | - | - | - | (333,223) | - | (533,223) |
| - | - | - | - | - | - | 3,000 |
| - | 333,223 | - | 37,830 | (305,188) | - | (41,375) |
| (12,225) | 333,223 | 2,690 | (20,913) | (335,569) | (121,490) | (93,978) |
| 460,466 | (333,223) | (174,748) | 114,524 | 384,189 | (99,070) | 2,293,469 |
| \$ 448,241 | \$ - | \$ (172,058) | \$ 93,611 | \$ 48,620 | \$ (220,560) | \$ 2,199,491 |

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

| | Arena Fund | Multi-Purpose Center Fund | River Bluff Townhomes | Totals 2019 |
|--|---------------|---------------------------------|-----------------------------|----------------|
| OPERATING REVENUE | | | | |
| Facility Use/Other Revenue | \$ 100,791 | \$ 105,688 | \$ 96,157 | \$ 302,636 |
| OPERATING EXPENSES | | | | |
| Personal Services | 140,411 | 132,765 | - | 273,176 |
| Supplies, Repairs, Services, and Rents | 245,178 | 148,506 | 48,537 | 440,221 |
| Depreciation and Amortization | 82,149 | 56,356 | 28,082 | 166,587 |
| Total Operating Expenses | 467,738 | 335,627 | 76,619 | 879,984 |
| OPERATING INCOME (LOSS) | (366,947) | (229,839) | 19,538 | (577,348) |
| OTHER INCOME (EXPENSE) | | | | |
| Taxes and Special Assessments | 209,904 | 219,705 | - | 429,609 |
| Contributions and Reimbursements | 4,000 | - | - | 4,000 |
| Interest Income | 9,802 | 5,115 | - | 14,917 |
| Interest Expense | (30,871) | - | (6,313) | (36,984) |
| Total Other Income (Expense) | 193,035 | 224,820 | (6,313) | 411,542 |
| INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | (173,912) | (5,119) | 13,225 | (165,806) |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | |
| Transfers in | 77,915 | - | - | 77,915 |
| Transfers out | (67,750) | - | - | (67,750) |
| Total Transfers and Capital Contributions | 9,865 | - | - | 9,865 |
| CHANGE IN NET POSITION | (164,047) | (5,119) | 13,225 | (155,941) |
| Net Position - Beginning of Year | 601,071 | 1,208,857 | (92,124) | 1,717,804 |
| NET POSITION - END OF YEAR | \$ 437,024 | \$ 1,203,538 | \$ (78,899) | \$ 1,561,663 |

CITY OF WINDOM, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

| | Arena Fund | Multi-Purpose Fund | River Bluff Townhomes | Total |
|---|---------------|-----------------------|--------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers and Service Users | \$ 70,135 | \$ 108,076 | \$ 96,911 | \$ 275,122 |
| Cash Paid to Suppliers | (307,057) | (175,119) | (45,292) | (527,468) |
| Cash Paid to Employees | (155,028) | (126,530) | - | (281,558) |
| Net Cash Provided (Used) by Operating Activities | (391,950) | (183,573) | 51,619 | (533,904) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers in | 77,615 | - | - | 77,615 |
| Transfers Out | (67,750) | - | - | (67,750) |
| Property Tax Revenues | 209,904 | 219,705 | - | 429,609 |
| Miscellaneous Revenues | 4,000 | - | - | 4,000 |
| Net Cash Provided by Noncapital Financing Activities | 223,769 | 219,705 | - | 443,474 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and Construction of Capital Assets | (7,465) | (13,097) | - | (20,562) |
| Interest Paid on Long-Term Debt | (45,424) | - | (6,308) | (51,732) |
| Principal Payments on Long-Term Debt | (45,000) | - | (17,210) | (62,210) |
| Net Cash Used by Capital and Related Financing Activities | (97,889) | (13,097) | (23,518) | (134,504) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment Income | 9,802 | 5,115 | - | 14,917 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (256,269) | 18,150 | 28,101 | (210,017) |
| Cash and Cash Equivalents - Beginning of Year | 409,834 | 304,783 | 108,327 | 823,044 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 153,565 | \$ 322,933 | \$ 136,428 | \$ 613,027 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ (366,947) | \$ (229,839) | \$ 19,538 | \$ (577,348) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation | 82,149 | 56,356 | 28,082 | 166,587 |
| Pension Adjustments | (9,873) | (23,462) | - | (33,435) |
| OP&B Adjustments | (1,804) | (2,166) | - | (3,970) |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | (30,656) | 2,288 | 284 | (28,084) |
| (Increase) Decrease in Accounts and Contracts Payable | (50,102) | (885) | 3,245 | (47,842) |
| Increase (Decrease) in Accrued Expenses | 2,029 | 4,563 | - | 6,592 |
| Increase (Decrease) in Unearned Revenue | - | 100 | 470 | 570 |
| Increase (Decrease) in Accrued Compensated Absences | (16,646) | 1,672 | - | (14,974) |
| Net Cash Provided (Used) by Operating Activities | (391,950) | (183,573) | 51,619 | (533,904) |

(This page intentionally left blank)

SINGLE AUDIT AND OTHER REQUIRED REPORTS

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

| Federal Grantor/Grant Name | Pass-Through Grantor | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures | Passed- Through to Subrecipients |
|---|--|---------------------------|-------------------------------------|-------------------------|--|
| U.S. Environmental Protection Agency: Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Loan Funds | Minnesota Public Facilities Authority | 66.458 | MPFA-CWRF-L- 054-FY19 | \$ 6,129,083 | \$ - |
| U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) | State of Minnesota | 97.036 | P07204390PA | 226,723 | - |
| U.S. Department of Natural Resources Airport Improvement Program | Minnesota DOT | 20.106 | TMNFAA01131218 TMNFAA01131116 | 581,937 | - |
| U.S. Department of Transportation Sport Fish Restoration Program | Minnesota DNR | 15.605 | R29G60F32DS28 R29G60F32DS29 | 348 | - |
| Total Federal Expenditures | | | | <u>\$ 6,938,091</u> | <u>\$ -</u> |

Reconciliation of the Schedule of Expenditures of Federal Awards to cash basis note proceeds:

| | |
|---|---------------------|
| Federal Expenditures for 66.458 | \$ 6,129,083 |
| Less: Expenditures not Reimbursed at Year-End | (203,202) |
| Add: 2017 and 2018 Expenditures Reimbursed in 2019 Year-End | 452,775 |
| Cash Basis Note Proceeds | <u>\$ 6,378,656</u> |

See Notes to Schedule of Expenditures of Federal Awards.

**CITY OF WINDOM, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Windom, Minnesota (the City) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City does not have a direct negotiated indirect cost rate and has therefore elected to use the 10% de minimus indirect cost rate where applicable.



CliftonLarsonAllen LLP
CLAAconnect.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, state of Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Windom, Minnesota's basic financial statements and have issued our report thereon dated June 30, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.



Honorable Mayor and
Members of the City Council
City of Windom

Compliance and Other Matters

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

City of Windom's Response to Findings

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the Major Federal Program

We have audited City of Windom, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Windom's major federal program for the year ended December 31, 2019. City of Windom's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Windom's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Windom's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Windom's compliance.



Honorable Mayor and
Members of the City Council
City of Windom

Opinion on the Major Federal Program

In our opinion, City of Windom complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of City of Windom is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Windom's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Windom's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom (the City), Minnesota, as of December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2020.

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
June 30, 2020



CITY OF WINDOM, MINNESOTA SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2019

Part I: Summary of the Independent Auditors' Results

Financial Statements

- | | | |
|---|-------------------|------------------------|
| 1. Type of auditors' report issued: | <u>Unmodified</u> | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <u>X</u> yes | <u> </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u> </u> yes | <u>X</u> none reported |
| 3. Noncompliance material to financial statements noted? | <u> </u> yes | <u>X</u> no |

Federal Awards

- | | | |
|---|-------------------|------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | <u> </u> yes | <u>X</u> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u> </u> yes | <u>X</u> none reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | <u>Unmodified</u> | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) | <u> </u> yes | <u>X</u> no |

Identification of Major Federal Programs

CFDA Number(s)

66.458

Name of Federal Program or Cluster

Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Part II: Findings Related to the Basic Financial Statements

FINDING: 2019-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

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

Condition: The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

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

Context: While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that the financial statements are prepared in accordance with US GAAP.

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

Cause: The City engages the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Repeat Finding: The finding was identified in the prior year. See 2018-001.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Management Response: The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.

CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

FINDING: 2019-002 PROPOSED ADJUSTING JOURNAL ENTRIES

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

Condition: The audit firm proposed and the City posted to its general ledger journal entries to record year-end account balances related to pensions and OPEB.

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

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

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

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

Repeat Finding: The finding was identified in the prior year. See 2018-002.

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

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

Part III: Federal Award Findings and Questioned Costs

There were no federal award program findings in the current year.

Part IV: Minnesota Legal Compliance Findings

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

WASECA COUNTY AUDITOR-TREASURER
307 N. STATE ST.
WASECA, MN 56093
507-835-0610

August 18, 2020

Ehlers
Attn: Sara Beecher

Please submit check to the Waseca County Auditor-Treasurer's Office.

Waseca Co Auditor's Certificate for ISD #761 Owatonna. \$200.00

Declaration

I declare under penalties of law that this account, claim or demand is just and correct and that no part of it has been paid.


Signature of Claimant

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER

— LAW FIRM —

December 3, 2020

City of Windom
444 9th Street
P.O. Box 38
Windom, MN 56101-0038

[PURCHASER]

**RE: City of Windom, Minnesota
\$6,675,0000 General Obligation Refunding Bonds, Series 2020D**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Windom, Cottonwood County, Minnesota (the “Issuer”), of the above-referenced bonds dated the date hereof (the “Bonds”). The Bonds are issued pursuant to Minnesota Statutes, Chapters 115, 429, 444 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on November 5, 2020 authorizing the issuance and delivery of the Bonds (the “Resolution”);
2. the Officers’ Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the “Tax Certificate”);
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

CLOQUET
813 Cloquet Ave.
Cloquet, MN 55720
p: (218) 879-3363

DULUTH
302 West Superior St., Suite 700
Duluth, MN 55802
p: (218) 722-0861

SUPERIOR
1409 Hammond Ave., Suite 330
Superior, WI 54880
p: (715) 392-7405

ST. PAUL
380 St. Peter St., Suite 710
St. Paul, MN 55102
p: (651) 221-1044

FRYBERGER LAW FIRM

December 3, 2020

Page 2

issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

FRYBERGER LAW FIRM

December 3, 2020

Page 3

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

FRYBERGER LAW FIRM

December 3, 2020

Page 4

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

M:\DOCS\12336\000037\OPN\1923662.DOC

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Windom, Minnesota (the “Issuer”) in connection with the issuance of the General Obligation Refunding Bonds, Series 2020D, dated December 3, 2020 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated November 5, 2020 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

“Code” means the Internal Revenue Code of 1986, as amended.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Official Statement, dated _____, 2020, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. Reference is also made to SEC Release No. 34-83885 (File No. S7-01-17) for additional information relating to the Issuer’s compliance with this Certificate.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2020, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to

the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

- (a) Current Property Valuations
- (b) Direct Debt
- (c) Tax Levies & Collections
- (d) Population Trend
- (e) Employment/Unemployment

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, if any, or their failure to perform;
- (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- (6) tender offers;
- (7) defeasances;
- (8) rating changes;
- (9) bankruptcy, insolvency, receivership or similar event of the Issuer;

or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may

incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of December 3, 2020.

CITY OF WINDOM, MINNESOTA

By _____
Mayor

By _____
City Administrator

M:\DOCS\12336\000037\CER\1923654.DOCX

APPENDIX E

TERMS OF PROPOSAL

\$6,675,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020D CITY OF WINDOM, MINNESOTA

Proposals for the purchase of \$6,675,000* General Obligation Refunding Bonds, Series 2020D (the "Bonds") of the City of Windom, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on November 5, 2020, at which time they will be opened, read and tabulated. The City Council will adopt a resolution on November 3, 2020, which authorizes designated officials of the City (the "Pricing Committee") to accept proposals for the Bonds on November 5, 2020 and consider the award of sale. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 115.46, 475.521 and 475.67, and Chapters 429, 444, 475, by the City of Windom, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated December 3, 2020, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2022 | \$585,000 | 2028 | \$585,000 | 2034 | \$305,000 |
| 2023 | 605,000 | 2029 | 590,000 | 2035 | 120,000 |
| 2024 | 605,000 | 2030 | 290,000 | 2036 | 120,000 |
| 2025 | 620,000 | 2031 | 295,000 | 2037 | 120,000 |
| 2026 | 610,000 | 2032 | 300,000 | | |
| 2027 | 625,000 | 2033 | 300,000 | | |

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 3, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of this Official Statement and under the caption "TAX EXEMPTION" relating to Bond Counsel's opinion that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in this Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$6,594,900 plus accrued interest on the principal sum of \$6,675,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$133,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Windom, Minnesota

PROPOSAL FORM

The City Council
City of Windom, Minnesota

November 5, 2020

RE: \$6,675,000* General Obligation Refunding Bonds, Series 2020D (the "Bonds")
DATED: December 3, 2020

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$6,594,900) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | |
|-------------|------|-------------|------|-------------|------|
| _____ % due | 2022 | _____ % due | 2028 | _____ % due | 2034 |
| _____ % due | 2023 | _____ % due | 2029 | _____ % due | 2035 |
| _____ % due | 2024 | _____ % due | 2030 | _____ % due | 2036 |
| _____ % due | 2025 | _____ % due | 2031 | _____ % due | 2037 |
| _____ % due | 2026 | _____ % due | 2032 | | |
| _____ % due | 2027 | _____ % due | 2033 | | |

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$133,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 3, 2020.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: _____ NO: _____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 3, 2020 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Windom, Minnesota, on November 5, 2020.

By: _____ By: _____
Title: _____ Title: _____