

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2026

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants of the City, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Such interest is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. (See "TAX EXEMPTION" herein.)

The Bonds will be designated 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 of 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)

\$3,960,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026A

PROPOSAL OPENING: May 5, 2026, 10:00 A.M., C.T.

CONSIDERATION: May 5, 2026, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,960,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City of Windom, Minnesota (the "City"), for the purpose of financing the City's 2026 Street Project and reimbursing the City for the cost of the 2025 Alley Project. The Bonds will be general obligations of the City for which its full faith and 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: May 21, 2026

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$170,000	2035	\$220,000	2042	\$190,000
2029	180,000	2036	225,000	2043	195,000
2030	185,000	2037	240,000	2044	205,000
2031	190,000	2038	160,000	2045	215,000
2032	200,000	2039	165,000	2046	225,000
2033	200,000	2040	170,000	2047	235,000
2034	210,000	2041	180,000		

***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: February 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2037 and thereafter are subject to call for prior optional redemption on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$3,912,480.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$79,200 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).



BUILDING COMMUNITIES. IT'S WHAT WE DO.

info@ehlers-inc.com

1 (800) 552-1171

www.ehlers-inc.com

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 Underwriter (Syndicate Manager). 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	THE ISSUER	22
THE BONDS.....	1	CITY GOVERNMENT.....	22
GENERAL	1	EMPLOYEES; PENSIONS; UNIONS.....	22
OPTIONAL REDEMPTION.....	2	POST EMPLOYMENT BENEFITS.....	22
AUTHORITY; PURPOSE	2	LITIGATION	22
ESTIMATED SOURCES AND USES	2	MUNICIPAL BANKRUPTCY.....	23
SECURITY	2	FUNDS ON HAND.....	23
RATING	3	ENTERPRISE FUNDS.....	24
CONTINUING DISCLOSURE.....	3	SUMMARY GENERAL FUND INFORMATION.....	26
LEGAL MATTERS.....	4	GENERAL FUND BUDGET SUMMARY	27
TAX EXEMPTION.....	4	GENERAL INFORMATION	28
QUALIFIED TAX-EXEMPT OBLIGATIONS	5	LOCATION.....	28
MUNICIPAL ADVISOR	5	LARGER EMPLOYERS	28
MUNICIPAL ADVISOR AFFILIATED COMPANIES.....	5	BUILDING PERMITS	29
INDEPENDENT AUDITORS	5	U.S. CENSUS DATA	29
RISK FACTORS.....	6	EMPLOYMENT/UNEMPLOYMENT DATA.....	30
VALUATIONS	8	FINANCIAL STATEMENTS.....	A-1
OVERVIEW	8	FORM OF LEGAL OPINION	B-1
CURRENT PROPERTY VALUATIONS.....	9	BOOK-ENTRY-ONLY SYSTEM	C-1
2025/26 NET TAX CAPACITY BY CLASSIFICATION	9	FORM OF CONTINUING DISCLOSURE CERTIFICATE ...	D-1
TREND OF VALUATIONS.....	10	TERMS OF PROPOSAL	E-1
LARGEST TAXPAYERS.....	10	PROPOSAL FORM	
DEBT	11		
DIRECT DEBT	11		
DEBT PAYMENT HISTORY	11		
FUTURE FINANCING.....	11		
DEBT LIMIT	12		
SCHEDULES OF BONDED INDEBTEDNESS	13		
OVERLAPPING DEBT	19		
DEBT RATIOS	20		
TAX LEVIES, COLLECTIONS AND RATES	21		
TAX LEVIES AND COLLECTIONS.....	21		
TAX CAPACITY RATES.....	21		

CITY OF WINDOM CITY COUNCIL

		<u>Term Expires</u>
Hilary Mathis	Mayor	January 2029
Scott Benson	Council Member	January 2029
Dennis Esplan	Council Member	January 2027
James Nelson	Council Member	January 2027
Jenny Quade	Council Member	January 2027
Jayesun Sherman	Council Member	January 2029

ADMINISTRATION

Steven Nasby, City Administrator

Donna Torkelson, Finance Director / Controller

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, City Attorney, Minneapolis, Minnesota

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

Ehlers and Associates, Inc., Municipal Advisors, Minneapolis, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Windom, Minnesota (the "City") and the issuance of its \$3,960,000* General Obligation Improvement Bonds, Series 2026A (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") to be adopted by the City Council on May 5, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, 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 May 21, 2026. 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 February 1, 2027, 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 2028 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, Minneapolis, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC 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, 2037 shall be subject to optional redemption prior to maturity on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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 being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing the City's 2026 Street Project and reimbursing the City for the cost of the 2025 Alley Project.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$3,960,000</u>	
Total Sources		\$3,960,000
Uses		
Total Underwriter's Discount (1.200%)	\$47,520	
Costs of Issuance	77,000	
Capitalized Interest	111,019	
Deposit to Construction Fund	3,724,000	
Rounding Amount	<u>461</u>	
Total Uses		\$3,960,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service on the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the 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 Bonds as required by Minnesota law.

Should the special assessments and/or ad valorem property taxes 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 additional taxes 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+"/Stable outlook 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.

In the previous five years, the City believes it has not failed to comply 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 MATTERS

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 the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the 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 the 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 the 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 the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Bonds or receipt of interest on the Bonds. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including without limitation, the determination of gain or loss on the sale of a bond, the calculation of alternative minimum tax liability; the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and applicable state and local tax rules in states other than Minnesota.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain tax covenants, that interest to be paid on the Bonds is excluded from gross income for purposes of federal income taxation and from taxable net income of individuals, trusts and estates for purposes of Minnesota income taxation. Such interest is, however, included in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Bonds to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the City's tax covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates and trusts. 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 same becomes includable in federal gross income or in Minnesota taxable net income.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has identified the bond owner as being subject to backup withholding.

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

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, 2024 have been audited by CliftonLarsonAllen LLP, Austin, 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

The 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) 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 of Minnesota (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.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. 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.

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.

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	2023/24	2024/25	2025/26
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 \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% ² Over \$3,500,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% ² Over \$3,500,000 - 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 \$174,000 - 0.75% Over \$174,000 - 0.25%	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: – 0.25%	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 – 0.25%
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

2024/25 Economic Market Value¹	<u>\$433,379,498²</u>
2025/26 Assessor's Estimated Market Value	
Real Estate	\$410,819,200
Personal Property	<u>3,967,600</u>
Total Valuation	<u>\$414,786,800</u>
2025/26 Net Tax Capacity	
Real Estate	\$4,521,360
Personal Property	<u>77,852</u>
Net Tax Capacity	\$4,599,212
Less: Captured Tax Increment Tax Capacity ³	<u>(373,204)</u>
Taxable Net Tax Capacity	<u>\$4,226,008</u>

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$1,970,116	42.84%
Agricultural	33,935	0.74%
Commercial/industrial	1,756,996	38.20%
Railroad operating property	22,846	0.50%
Non-homestead residential	734,764	15.98%
Commercial & residential seasonal/rec.	2,703	0.06%
Personal property	<u>77,852</u>	<u>1.69%</u>
 Total	 <u>\$4,599,212</u>	 <u>100.00%</u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2024/25 Assessor's Estimated Market Value (the "AEMV") for the City was about 98.68% of the actual selling prices of property 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 a 2024/25 Economic Market Value ("EMV") for the City of \$433,379,498.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

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 Increase/Decrease in Estimated Market Value
2021/22	\$327,293,800	\$291,490,186	\$3,760,137	\$3,143,969	1.47%
2022/23	384,004,100	349,845,839	4,399,731	3,750,872	17.33%
2023/24	433,915,700	401,486,246	4,945,389	4,458,444	13.00%
2024/25	428,047,000	383,984,210	4,727,095	4,252,544	-1.35%
2025/26	414,786,800	370,160,590	4,599,212	4,226,008	-3.10%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Premium Purveyors	Industrial	\$214,094	4.66%
MDC Coast 29, LLC	Commercial	168,456	3.66%
FGS AG Acquisition Company LLC	Industrial	149,706	3.26%
Windom Apartments	Commercial	98,966	2.15%
Toro Company	Industrial	94,579	2.06%
Windstream Inns LLC	Commercial	71,546	1.56%
New Vision Co-op	Industrial	65,476	1.42%
Lakeside Apts of Windom LLC	Apartments	55,195	1.20%
Evangelical Lutheran Good Samaritan	Apartments	52,327	1.14%
Benwin, LLC	Commercial	48,644	1.06%
Total		\$1,018,989	22.16%

City's Total 2025/26 Net Tax Capacity \$4,599,212

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

¹ Net Tax Capacity includes tax increment values.

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Bonds)*	\$11,130,000
Total G.O. debt secured by tax abatement revenues	3,270,000
Total G.O. debt secured by taxes	5,260,000
Total G.O. debt secured by utility revenues	4,904,380
Total General Obligation Debt*	<u><u>\$24,564,380</u></u>

*Preliminary, subject to change.

Limited Obligation Debt (see schedules following)

Total revenue debt secured by hospital revenues	<u><u>\$21,609,786</u></u>
---	----------------------------

Special Obligation Debt (see schedules following)

Total revenue debt secured by municipal broadband communication revenues	<u><u>\$4,792,000</u></u>
--	---------------------------

Other Obligations (Economic Development Authority)

<u>Issue Date</u>	<u>Original Amount</u>	<u>Name of Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
6/18/01	\$488,847	Multifamily Housing Development Revenue Bond, Series 2001 (River Bluff Townhomes)	12/18/32	<u><u>\$160,490</u></u>

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

DEBT LIMIT

The statutory limit on net 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" means 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 certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public 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 to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all 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.

2025/26 Assessor's Estimated Market Value	\$414,786,800
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$12,443,604
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(5,260,000)</u>
Unused Debt Limit	<u><u>\$7,183,604</u></u>

City of Windom, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Special Assessments and Taxes
 (As of 05/21/2026)

Calendar Year Ending	Improvement Bonds 1) Series 2017A		Improvement Bonds Series 2020B		Improvement Bonds Series 2020C		Refunding Bonds 2) Series 2020D		Improvement Bonds Series 2026A		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						
	06/15/2017	02/01	05/27/2020	02/01	05/27/2020	02/01	12/03/2020	02/01	05/21/2026	02/01						
	\$2,870,000		\$4,240,000		\$345,000		\$2,830,000		\$3,960,000*							
2026	0	30,148	0	41,400	0	3,338	0	14,164	0	0	0	89,049	89,049	11,130,000	.00%	2026
2027	150,000	58,045	205,000	79,725	20,000	6,375	250,000	25,828	0	190,953	625,000	360,925	985,925	10,505,000	5.62%	2027
2028	155,000	53,470	210,000	73,500	20,000	5,775	255,000	20,778	170,000	157,063	810,000	310,585	1,120,585	9,695,000	12.89%	2028
2029	160,000	48,745	215,000	67,125	20,000	5,175	260,000	15,628	180,000	151,243	835,000	287,915	1,122,915	8,860,000	20.40%	2029
2030	165,000	43,870	220,000	60,600	20,000	4,675	180,000	11,228	185,000	145,083	770,000	265,455	1,035,455	8,090,000	27.31%	2030
2031	170,000	38,845	230,000	53,850	20,000	4,263	180,000	8,393	190,000	138,613	790,000	243,963	1,033,963	7,300,000	34.41%	2031
2032	175,000	33,670	240,000	48,000	20,000	3,825	175,000	6,176	200,000	131,688	810,000	223,359	1,033,359	6,490,000	41.69%	2032
2033	180,000	28,345	245,000	43,150	20,000	3,363	180,000	3,780	200,000	124,438	825,000	203,075	1,028,075	5,665,000	49.10%	2033
2034	120,000	23,695	250,000	38,044	20,000	2,875	190,000	1,283	210,000	116,850	790,000	182,746	972,746	4,875,000	56.20%	2034
2035	125,000	19,714	255,000	32,519	20,000	2,375	220,000	2,375	220,000	108,733	620,000	163,340	783,340	4,255,000	61.77%	2035
2036	130,000	15,538	255,000	26,781	20,000	1,875	225,000	1,875	225,000	100,165	630,000	144,359	774,359	3,625,000	67.43%	2036
2037	135,000	11,165	185,000	21,716	10,000	1,494	240,000	1,494	240,000	91,038	570,000	125,412	695,412	3,055,000	72.55%	2037
2038	135,000	6,744	185,000	17,322	10,000	1,231	160,000	1,231	160,000	83,058	490,000	108,354	598,354	2,565,000	76.95%	2038
2039	140,000	2,275	195,000	12,688	10,000	963	165,000	963	165,000	76,394	510,000	92,319	602,319	2,055,000	81.54%	2039
2040			205,000	7,688	15,000	619	170,000	619	170,000	69,358	390,000	77,664	467,664	1,665,000	85.04%	2040
2041			205,000	2,563	15,000	206	180,000	206	180,000	61,875	400,000	64,644	464,644	1,265,000	88.63%	2041
2042							190,000		190,000	53,873	190,000	53,873	243,873	1,075,000	90.34%	2042
2043							195,000		195,000	45,401	195,000	45,401	240,401	880,000	92.09%	2043
2044							205,000		205,000	36,399	205,000	36,399	241,399	675,000	93.94%	2044
2045							215,000		215,000	26,736	215,000	26,736	241,736	460,000	95.87%	2045
2046							225,000		225,000	16,450	225,000	16,450	241,450	235,000	97.89%	2046
2047							235,000		235,000	5,581	235,000	5,581	240,581	0	100.00%	2047
	1,940,000	414,268	3,300,000	626,669	260,000	48,425	1,670,000	107,255	3,960,000	1,930,987	11,130,000	3,127,603	14,257,603			

* Preliminary, subject to change.

- 1) This represents the \$2,870,000 Improvement portion of the \$4,020,000 General Obligation Improvement and Utility Revenue Bonds, Series 2017A.
- 2) This represents the \$2,830,000 Series 2013A Refunding portion of the \$6,315,000 General Obligation Refunding Bonds, Series 2020D.

City of Windom, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 05/21/2026)

Tax Abatement Bonds 1)								
Series 2023B								
Dated	11/30/2023							
Amount	\$3,480,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	77,413	0	77,413	77,413	3,270,000	.00%	2026
2027	125,000	151,700	125,000	151,700	276,700	3,145,000	3.82%	2027
2028	135,000	145,200	135,000	145,200	280,200	3,010,000	7.95%	2028
2029	140,000	138,325	140,000	138,325	278,325	2,870,000	12.23%	2029
2030	150,000	131,075	150,000	131,075	281,075	2,720,000	16.82%	2030
2031	155,000	123,450	155,000	123,450	278,450	2,565,000	21.56%	2031
2032	160,000	115,575	160,000	115,575	275,575	2,405,000	26.45%	2032
2033	170,000	107,325	170,000	107,325	277,325	2,235,000	31.65%	2033
2034	180,000	98,575	180,000	98,575	278,575	2,055,000	37.16%	2034
2035	190,000	89,325	190,000	89,325	279,325	1,865,000	42.97%	2035
2036	195,000	79,700	195,000	79,700	274,700	1,670,000	48.93%	2036
2037	205,000	69,700	205,000	69,700	274,700	1,465,000	55.20%	2037
2038	220,000	59,075	220,000	59,075	279,075	1,245,000	61.93%	2038
2039	230,000	48,688	230,000	48,688	278,688	1,015,000	68.96%	2039
2040	235,000	38,806	235,000	38,806	273,806	780,000	76.15%	2040
2041	250,000	28,500	250,000	28,500	278,500	530,000	83.79%	2041
2042	260,000	17,500	260,000	17,500	277,500	270,000	91.74%	2042
2043	270,000	5,906	270,000	5,906	275,906	0	100.00%	2043
	3,270,000	1,525,838	3,270,000	1,525,838	4,795,838			

1) This represents the \$3,480,000 Tax Abatement portion of the \$6,905,000 General Obligation Bonds, Series 2023B.

City of Windom, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 05/21/2026)

	Equipment Certificates Series 2017B		Equipment Certificates Series 2018A		Refunding Bonds 1) Series 2020D		Equipment Certificates 2) Series 2023B							
Dated Amount	06/15/2017 \$855,000		03/28/2018 \$1,095,000		12/03/2020 \$1,680,000		11/30/2023 \$3,425,000							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	1,500	0	11,704	0	10,170	0	76,231	0	99,606	99,606	5,260,000	.00%	2026
2027	100,000	1,500	50,000	22,659	100,000	19,340	125,000	149,338	375,000	192,836	567,836	4,885,000	7.13%	2027
2028			55,000	21,084	105,000	17,290	130,000	142,963	290,000	181,336	471,336	4,595,000	12.64%	2028
2029			55,000	19,434	105,000	15,190	140,000	136,213	300,000	170,836	470,836	4,295,000	18.35%	2029
2030			55,000	17,749	105,000	13,090	145,000	129,088	305,000	159,927	464,927	3,990,000	24.14%	2030
2031			60,000	15,953	110,000	11,408	150,000	121,713	320,000	149,073	469,073	3,670,000	30.23%	2031
2032			60,000	14,078	110,000	10,033	160,000	113,963	330,000	138,073	468,073	3,340,000	36.50%	2032
2033			60,000	12,150	110,000	8,548	170,000	105,713	340,000	126,410	466,410	3,000,000	42.97%	2033
2034			65,000	10,088	115,000	7,029	175,000	97,088	355,000	114,204	469,204	2,645,000	49.71%	2034
2035			65,000	7,943	115,000	5,476	185,000	88,088	365,000	101,506	466,506	2,280,000	56.65%	2035
2036			65,000	5,798	115,000	3,550	195,000	78,588	375,000	87,935	462,935	1,905,000	63.78%	2036
2037			70,000	3,553	120,000	1,200	205,000	68,588	395,000	73,340	468,340	1,510,000	71.29%	2037
2038			70,000	1,190			215,000	58,088	285,000	59,278	344,278	1,225,000	76.71%	2038
2039							225,000	47,931	225,000	47,931	272,931	1,000,000	80.99%	2039
2040							235,000	38,156	235,000	38,156	273,156	765,000	85.46%	2040
2041							245,000	27,956	245,000	27,956	272,956	520,000	90.11%	2041
2042							255,000	17,172	255,000	17,172	272,172	265,000	94.96%	2042
2043							265,000	5,797	265,000	5,797	270,797	0	100.00%	2043
	100,000	3,000	730,000	163,380	1,210,000	122,323	3,220,000	1,502,669	5,260,000	1,791,371	7,051,371			

1) This represents the \$1,680,000 2016 Lease Refunding portion of the \$6,315,000 General Obligation Refunding Bonds, Series 2020D.

2) This represents the \$3,425,000 Equipment Certificates portion of the \$6,905,000 General Obligation Bonds, Series 2023B.

City of Windom, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 05/21/2026)

	Utility Revenue Bonds 1) Series 2017A		Revenue Note Series 2019A		Refunding Bonds 2) Series 2020D							Calendar Year Ending
Dated Amount	06/15/2017 \$1,150,000		02/20/2019 \$8,909,643		12/03/2020 \$1,805,000							
Maturity	02/01		08/20		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	12,030	224,000	17,347	0	6,650	224,000	36,027	260,027	4,680,380	4.57%	2026
2027	55,000	23,235	227,000	32,454	250,000	10,800	532,000	66,489	598,489	4,148,380	15.41%	2027
2028	55,000	21,585	230,000	30,184	205,000	6,250	490,000	58,019	548,019	3,658,380	25.41%	2028
2029	60,000	19,860	266,000	27,884	210,000	2,100	536,000	49,844	585,844	3,122,380	36.33%	2029
2030	60,000	18,060	269,000	25,224			329,000	43,284	372,284	2,793,380	43.04%	2030
2031	60,000	16,260	272,000	22,534			332,000	38,794	370,794	2,461,380	49.81%	2031
2032	60,000	14,460	274,000	19,814			334,000	34,274	368,274	2,127,380	56.62%	2032
2033	65,000	12,585	277,000	17,074			342,000	29,659	371,659	1,785,380	63.60%	2033
2034	65,000	10,554	280,000	14,304			345,000	24,858	369,858	1,440,380	70.63%	2034
2035	70,000	8,360	283,000	11,504			353,000	19,864	372,864	1,087,380	77.83%	2035
2036	70,000	6,068	286,000	8,674			356,000	14,741	370,741	731,380	85.09%	2036
2037	75,000	3,675	288,000	5,814			363,000	9,489	372,489	368,380	92.49%	2037
2038	75,000	1,219	293,380	2,934			368,380	4,153	372,533	0	100.00%	2038
	770,000	167,950	3,469,380	235,743	665,000	25,800	4,904,380	429,493	5,333,873			

1) This represents the \$1,150,000 Utility Revenue portion of the \$4,020,000 General Obligation Improvement and Utility Revenue Bonds, Series 2017A.

2) This represents the \$1,805,000 Series 2011A Refunding portion of the \$6,315,000 General Obligation Refunding Bonds, Series 2020D.

City of Windom, Minnesota
Schedule of Bonded Indebtedness
Limited Obligation Debt Secured by Hospital Revenues
(As of 05/21/2026)

Dated Amount	Gross Revenue Hospital Bonds Series 2014A		Healthcare Facilities Gross Rev Bonds Series 2023A							Calendar Year Ending
	12/30/2014		11/27/2023		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	
Maturity	09/01		Monthly							
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	285,000	60,475	368,110	613,563	653,110	674,038	1,327,147	20,956,677	3.02%	2026
2027	295,000	110,405	660,161	1,022,706	955,161	1,133,111	2,088,272	20,001,515	7.44%	2027
2028	305,000	99,195	698,789	984,078	1,003,789	1,083,273	2,087,062	18,997,726	12.09%	2028
2029	315,000	87,300	739,677	943,190	1,054,677	1,030,490	2,085,167	17,943,049	16.97%	2029
2030	330,000	74,700	782,958	899,909	1,112,958	974,609	2,087,567	16,830,091	22.12%	2030
2031	345,000	61,005	828,771	854,096	1,173,771	915,101	2,088,872	15,656,319	27.55%	2031
2032	360,000	46,688	877,265	805,602	1,237,265	852,289	2,089,555	14,419,054	33.28%	2032
2033	375,000	31,748	928,597	754,271	1,303,597	786,018	2,089,615	13,115,458	39.31%	2033
2034	390,000	16,185	982,931	699,936	1,372,931	716,121	2,089,052	11,742,526	45.66%	2034
2035			1,040,446	642,421	1,040,446	642,421	1,682,867	10,702,080	50.48%	2035
2036			1,101,325	581,542	1,101,325	581,542	1,682,867	9,600,755	55.57%	2036
2037			1,165,767	517,100	1,165,767	517,100	1,682,867	8,434,988	60.97%	2037
2038			1,233,980	448,888	1,233,980	448,888	1,682,867	7,201,009	66.68%	2038
2039			1,306,183	376,684	1,306,183	376,684	1,682,867	5,894,825	72.72%	2039
2040			1,382,612	300,255	1,382,612	300,255	1,682,867	4,512,213	79.12%	2040
2041			1,463,513	219,354	1,463,513	219,354	1,682,867	3,048,701	85.89%	2041
2042			1,549,147	133,720	1,549,147	133,720	1,682,867	1,499,553	93.06%	2042
2043			1,499,553	43,075	1,499,553	43,075	1,542,628	0	100.00%	2043
	3,000,000	587,700	18,609,786	10,840,389	21,609,786	11,428,089	33,037,875			

City of Windom, Minnesota
 Schedule of Bonded Indebtedness
 Special Obligation Debt Secured by Municipal Broadband Communication System Revenues
 (As of 05/21/2026)

		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	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	643,000	87,175	643,000	87,175	730,175	4,149,000	13.42%	2026
2027	660,000	74,471	660,000	74,471	734,471	3,489,000	27.19%	2027
2028	671,000	61,493	671,000	61,493	732,493	2,818,000	41.19%	2028
2029	685,000	48,272	685,000	48,272	733,272	2,133,000	55.49%	2029
2030	699,000	34,778	699,000	34,778	733,778	1,434,000	70.08%	2030
2031	711,000	21,031	711,000	21,031	732,031	723,000	84.91%	2031
2032	723,000	7,049	723,000	7,049	730,049	0	100.00%	2032
	4,792,000	334,269	4,792,000	334,269	5,126,269			

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

OVERLAPPING DEBT¹

Taxing District	2025/26 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Cottonwood County	\$41,296,454	10.2333%	\$9,335,000	\$955,279
I.S.D. No. 177 (Windom)	15,087,408	28.0102%	22,455,000 ³	<u>6,289,690</u>
City's Share of Total Overlapping Debt				<u><u>\$7,244,969</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. It 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 Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by State aids for the purposes of the Bonds.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$433,379,498	Debt/ Per Capita 4,809 ¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$11,130,000		
Tax Abatement Revenues	3,270,000		
Taxes	5,260,000		
Utility Revenues	4,904,380		
Total General Obligation Debt*	<u>\$24,564,380</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(4,904,380)</u>		
Tax Supported General Obligation Debt*	\$19,660,000	4.54%	\$4,088.17
 City's Share of Total Overlapping Debt	 <u>\$7,244,969</u>	 <u>1.67%</u>	 <u>\$1,506.54</u>
 Total*	 <u><u>\$26,904,969</u></u>	 <u><u>6.21%</u></u>	 <u><u>\$5,594.71</u></u>

*Preliminary, subject to change.

¹ Estimated 2024 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2021/22	\$2,237,955	\$2,219,289	\$2,237,198	99.97%
2022/23	2,402,745	2,379,867	2,399,168	99.85%
2023/24	2,532,454	2,505,214	2,524,088	99.67%
2024/25	2,627,553	2,589,259	2,589,259	98.54%
2025/26	2,789,595	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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.

TAX CAPACITY RATES³

	2021/22	2022/23	2023/24	2024/25	2025/26
Cottonwood County	40.103%	34.764%	24.348%	29.989%	35.189%
City of Windom	71.827%	64.827%	57.626%	63.253%	66.193%
I.S.D. No. 177 (Windom)	28.482%	23.503%	16.868%	18.799%	21.012%
Region 8	0.162%	0.134%	0.093%	0.125%	0.124%

Referendum Market Value Rates:

I.S.D. No. 177 (Windom)	0.26266%	0.24378%	0.21837%	0.25916%	0.24754%
-------------------------	----------	----------	----------	----------	----------

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

³ After reduction for State aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

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 and Finance Director/Controller are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 51 full-time, five (5) part-time, and ten (10) seasonal 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, 2026
LELS	December 31, 2026

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 \$755,821 as of December 31, 2025. 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, Section 471.831, as amended, 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 February 28, 2026)

Fund	Total Cash and Investments
General	\$3,170,444
Special Revenue	3,886,907
Debt Service	647,983
Capital Projects	(651,081) ¹
Enterprise Funds	<u>10,594,654</u>
Total Funds on Hand	<u><u>\$17,648,907</u></u>

¹ Used for 2025 Alley project costs to be reimbursed from the proceeds of the Bonds.

ENTERPRISE FUNDS

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

	2022 Audited	2023 Audited	2024 Audited
Electric			
Total Operating Revenues	\$7,310,179	\$6,464,048	\$6,198,416
Less: Operating Expenses	<u>(5,500,070)</u>	<u>(5,881,080)</u>	<u>(5,543,934)</u>
Operating Income	\$1,810,109	\$582,968	\$654,482
Plus: Depreciation	<u>591,596</u>	<u>630,971</u>	<u>856,690</u>
Revenues Available for Debt Service	<u><u>\$2,401,705</u></u>	<u><u>\$1,213,939</u></u>	<u><u>\$1,511,172</u></u>
Wastewater			
Total Operating Revenues	\$2,227,511	\$1,884,547	\$1,732,147
Less: Operating Expenses	<u>(1,895,144)</u>	<u>(1,818,162)</u>	<u>(1,706,268)</u>
Operating Income	\$332,367	\$66,385	\$25,879
Plus: Depreciation	<u>982,715</u>	<u>967,628</u>	<u>986,809</u>
Revenues Available for Debt Service	<u><u>\$1,315,082</u></u>	<u><u>\$1,034,013</u></u>	<u><u>\$1,012,688</u></u>
Telecom¹			
Total Operating Revenues	\$2,853,470	\$2,867,561	\$2,766,280
Less: Operating Expenses	<u>(2,105,687)</u>	<u>(2,226,052)</u>	<u>(2,280,049)</u>
Operating Income	\$747,783	\$641,509	\$486,231
Plus: Depreciation	<u>330,187</u>	<u>334,750</u>	<u>334,613</u>
Revenues Available for Debt Service	<u><u>\$1,077,970</u></u>	<u><u>\$976,259</u></u>	<u><u>\$820,844</u></u>
Windom Area Health			
Total Operating Revenues	\$26,167,569	\$25,710,061	\$29,198,705
Less: Operating Expenses	<u>(21,512,526)</u>	<u>(24,796,695)</u>	<u>(27,865,376)</u>
Operating Income	\$4,655,043	\$913,366	\$1,333,329
Plus: Depreciation	<u>1,448,321</u>	<u>1,719,947</u>	<u>1,921,417</u>
Revenues Available for Debt Service	<u><u>\$6,103,364</u></u>	<u><u>\$2,633,313</u></u>	<u><u>\$3,254,746</u></u>

Continued on next page

¹ The City is contemplating the sale of its Telecom utility and has solicited requests for proposals (RFPs) for the purchase of Windomnet.

ENTERPRISE FUNDS Continued

	2022 Audited	2023 Audited	2024 Audited
Water¹			
Total Operating Revenues	\$1,263,744	\$1,281,769	\$1,168,651
Less: Operating Expenses	<u>(1,099,803)</u>	<u>(1,059,312)</u>	<u>(1,138,643)</u>
Operating Income	\$163,941	\$222,457	\$30,008
Plus: Depreciation	<u>419,475</u>	<u>345,827</u>	<u>295,694</u>
Revenues Available for Debt Service	<u><u>\$583,416</u></u>	<u><u>\$568,284</u></u>	<u><u>\$325,702</u></u>
Liquor¹			
Total Operating Revenues	\$622,084	\$641,095	\$632,124
Less: Operating Expenses	<u>(500,013)</u>	<u>(526,419)</u>	<u>(552,029)</u>
Operating Income	\$122,071	\$114,676	\$80,095
Plus: Depreciation	<u>26,463</u>	<u>23,042</u>	<u>31,055</u>
Revenues Available for Debt Service	<u><u>\$148,534</u></u>	<u><u>\$137,718</u></u>	<u><u>\$111,150</u></u>

¹ Beginning in Fiscal Year End 2021, the Water and Liquor Funds were no longer considered major enterprise funds. The Arena, Multi-Purpose Center and River Bluff Townhomes Funds are also non-major enterprise funds, not included here. For additional information on these funds, see "APPENDIX A – FINANCIAL STATEMENTS."

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, 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 2024 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited
Revenues					
Property taxes	\$996,000	\$1,111,886	\$1,027,507	\$1,212,948	\$1,281,709
Special assessments	10,515	10,135	9,428	7,878	0
Lodging tax	58,102	55,712	52,945	50,899	52,717
Licenses and permits	59,319	61,671	125,411	115,428	96,982
Intergovernmental	2,461,848	2,216,794	2,037,768	6,602,617 ¹	8,992,342 ¹
Special assessments	0	0	0	0	13,004
Charges for services and facilities	297,311	459,659	660,315	597,890	316,793
Fine and forfeitures	23,826	9,575	22,609	19,803	27,377
Interest income	41,936	38,634	84,529	248	227,371
Loans/leases	0	0	139	0	0
Investment earnings (Losses)	0	0	0	229,013	0
Refunds and reimbursements	54,261	0	0	0	123,585
Grants and contributions	23,351	0	0	0	10,623
Miscellaneous	18,778	138,792	226,590	58,230	8,834
Total Revenues	<u>\$4,045,247</u>	<u>\$4,102,858</u>	<u>\$4,247,241</u>	<u>\$8,894,954</u>	<u>\$11,151,337</u>
Expenditures					
General government	\$445,298	\$294,846	\$467,502	\$379,505	\$583,173
Public safety	1,417,105	1,670,941	1,788,285	1,883,587	1,694,018
Public works	737,800	506,481	485,266	595,780	702,815
Sanitation	0	22,426	28,392	18,284	0
Parks and recreation	556,649	370,445	381,141	390,134	731,090
Library	0	206,470	220,520	191,722	0
Economic development	0	2,500	0	0	0
Airport	0	139,259	230,783	149,374	0
Leases	0	0	0	0	60,970
Capital outlay	829,544	504,805	663,098	721,373	1,294,088 ²
Debt service	0	0	52,090	54,073	0
Total Expenditures	<u>\$3,986,396</u>	<u>\$3,718,173</u>	<u>\$4,317,077</u>	<u>\$4,383,832</u>	<u>\$5,066,154</u>
Excess of revenues over (under) expenditures	\$58,851	\$384,685	(\$69,836)	\$4,511,122	\$6,085,183
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	\$0	\$0	\$0	\$0	\$42,719
Lease issuance	0	0	26,373	0	109,039
Transfers in	249,500	290,343	289,500	249,500	249,500
Transfers (out)	(108,474)	(278,837)	(141,841)	(2,357,065) ³	(72,084)
Total Other Financing Sources (Uses)	<u>\$141,026</u>	<u>\$11,506</u>	<u>\$174,032</u>	<u>(\$2,107,565)</u>	<u>\$329,174</u>
Net changes in Fund Balances	\$199,877	\$396,191	\$104,196	\$2,403,557	\$6,414,357
General Fund Balance January 1	\$3,743,625	\$3,943,502	\$4,339,693	\$4,443,889	\$6,847,446
Prior Period Adjustment	0	0	0	0	0
General Fund Balance December 31	\$3,943,502	\$4,339,693	\$4,443,889	\$6,847,446	\$13,261,803
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$37,124	\$29,660	\$64,656	\$3,064,206 ⁴	\$9,375,495 ⁴
Restricted	0	53,760	67,402	1,210	1,210
Committed	56,315	81,755	81,649	77,083	77,083
Assigned	1,178,974	1,328,454	1,369,347	1,153,944	1,129,192
Unassigned	<u>2,671,089</u>	<u>2,846,064</u>	<u>2,860,835</u>	<u>2,551,003</u>	<u>2,678,823</u>
Total	<u>\$3,943,502</u>	<u>\$4,339,693</u>	<u>\$4,443,889</u>	<u>\$6,847,446</u>	<u>\$13,261,803</u>

¹ The large 2023 and 2024 Intergovernmental revenue was from a \$13M State special appropriation grant for the HyLife Foods meat processing plant closure in 2023.

² The large 2024 Capital outlay was for the planned purchase of 2 fire trucks, airport runway improvements, an electric generation building, and a municipal liquor store expansion.

³ The large Transfers (out) in 2023 were for budgeted expenditures to the Electric Fund for the purchase of equipment.

⁴ The large Nonspendable balance in 2023 and 2024 was reserved for the HyLife plant closure.

GENERAL FUND BUDGET SUMMARY

FISCAL YEAR ENDING DECEMBER 31

COMBINED STATEMENT

	2025 Adopted Budget	2025 Unaudited	2026 Adopted Budget¹
Revenues			
Property Taxes	\$2,682,501	\$2,682,501	\$2,789,521
Tax Increments	858,923	858,923	726,923
All Other Taxes	50,000	50,000	50,000
Special Assessments	199,571	199,571	204,102
Licenses and Permits	69,770	69,770	70,470
Federal Grants	236,303	1,088,103 ²	670,578
State General Purpose Aid	1,838,914	2,418,653	1,842,895
State Categorical Aid	141,000	141,000	158,000
Charges for Services	1,546,855	1,483,145	1,435,829
Fines and Forfeits	6,500	21,500	6,500
Interest on Investments	124,000	124,000	120,019
Miscellaneous Revenue	221,630	229,430	195,630
Transfers from Other Funds	913,397	913,397	425,148
Total Revenues	\$8,889,364	\$10,279,993	\$8,695,615
Expenditures			
General Government	\$525,034	\$525,034	\$525,985
Public Safety	2,617,762	2,653,762	2,641,746
Streets and Highways	712,037	850,753	723,282
Sanitation	29,000	29,000	29,000
Culture and Recreation	1,420,732	1,420,732	1,337,733
Economic Development	242,561	242,561	255,681
Miscellaneous Current Expenditures	881,331	881,331	727,917
Debt Service	885,000	885,000	625,000
Interest and Fiscal Charges	416,630	416,630	151,665
Capital Outlay	550,464	550,464	1,454,018
Total Expenditures	\$8,280,551	\$8,455,267	\$8,472,027
Excess of revenues over (under) expenditures	\$608,813	\$1,824,726	\$223,588
Net changes in Fund Balances	\$608,813	\$1,824,726	\$223,588
General Fund Balance January 1	\$3,518,946		
Prior Period Adjustment	<u>0</u>		
General Fund Balance December 31	\$4,127,759		

¹ The 2026 budget was adopted on December 17, 2025.

² In April of 2025 through December of 2025 the City of Windom received reimbursements from FEMA for flood damages and costs incurred in 2024. These FEMA funds totaling \$869,899.88 created a large general fund surplus for the 2025 budget year.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 4,798 and a 2024 population estimate of 4,809, and comprising an area of 4.16 square miles, is located approximately 135 miles southwest of the St. Paul, Minnesota. 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
I.S.D. No. 177 (Windom)	Elementary and secondary education	450
Premium Iowa Pork-Windom	Pork processing facility	400
Windom Area Health	Hospital and clinics	215
Fortune Transportation	Specialized trucking transportation	200
Hy-Vee	Grocery	100
Good Samaritan Society Windom	Nursing home and senior living facility	100
Cottonwood County	County government and services	99
FAST Ag Solutions	Agricultural equipment manufacturers	95
The City	Municipal government and services	51

Source: The City, Data Axle Reference Solutions, written and telephone survey, 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.

BUILDING PERMITS (as of April 3, 2026)

	2022	2023	2024	2025	2026
<u>New Single Family Homes</u>					
No. of building permits	3	0	3	4	0
Valuation	\$547,930	\$0			\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	7	0	0	0	0
Valuation	\$9,283,333	\$0	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	5	2	12	12	0
Valuation	\$3,934,500	\$2,090,000	\$2,041,409	\$394,361	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	143	80	174	176	34
Valuation	\$19,290,107	\$3,662,213	\$10,919,977	\$4,887,559	\$202,160

Source: The City.

U.S. CENSUS DATA**Population Trend:** The City

2010 U.S. Census population	4,646
2020 U.S. Census population	4,798
Percent of Change 2010 - 2020	3.27%
2024 State Demographer Population Estimate	4,809

Income and Age Statistics

	The City	Cottonwood County	State of Minnesota	United States
2024 per capita income	\$37,541	\$36,506	\$48,237	\$44,673
2024 median household income	\$74,899	\$72,941	\$89,062	\$80,734
2024 median family income	\$95,446	\$92,737	\$113,993	\$99,999
2024 median gross rent	\$806	\$817	\$1,280	\$1,413
2024 median value owner occupied units	\$169,700	\$169,300	\$329,300	\$332,700
2024 median age	38.9 yrs.	40.3 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	77.83%	84.04%
City % of 2024 median family income	83.73%	95.45%

Housing Statistics

	<u>The City</u>		
	2020	2024	Percent of Change
All Housing Units	1,963	2,060	4.94%

Source: 2010 and 2020 Census of Population and Housing, and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

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	Cottonwood County	State of Minnesota
2022	6,328		2.6%	2.5%
2023	5,919		4.7%	2.8%
2024	5,518		4.0%	3.1%
2025	5,501		4.7%	3.9%
2026, February	5,349		5.3%	5.3%

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, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**CITY OF WINDOM, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2024**

INTRODUCTORY SECTION

OFFICIAL DIRECTORY	1
---------------------------	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	3
-------------------------------------	----------

MANAGEMENT'S DISCUSSION AND ANALYSIS	8
---	----------

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	22
----------------------------------	-----------

STATEMENT OF ACTIVITIES	23
--------------------------------	-----------

GOVERNMENTAL FUNDS

BALANCE SHEET	24
----------------------	-----------

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	25
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	26
---	-----------

RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES	27
---	-----------

PROPRIETARY FUNDS

STATEMENT OF NET POSITION	28
----------------------------------	-----------

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	29
---	-----------

STATEMENT OF CASH FLOWS	30
--------------------------------	-----------

NOTES TO FINANCIAL STATEMENTS	35
--------------------------------------	-----------

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	87
---	-----------

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	88
--	-----------

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS	89
--	-----------

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	90
--	-----------

**CITY OF WINDOM, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2024**

SCHEDULE OF THE CITY'S CONTRIBUTIONS	91
WINDOM FIRE RELIEF ASSOCIATION – SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS	92
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	93
SUPPLEMENTARY INFORMATION	
COMBINING NONMAJOR FUND FINANCIAL STATEMENTS	
NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET	105
NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	106
COMBINING BALANCE SHEET – DEBT SERVICE FUND BY BOND ISSUE	107
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – DEBT SERVICE FUND BY BOND ISSUE	108
NONMAJOR PROPRIETARY FUNDS COMBINING STATEMENT OF NET POSITION	109
NONMAJOR PROPRIETARY FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	111
NONMAJOR PROPRIETARY FUNDS COMBINING STATEMENT OF CASH FLOWS	112
OTHER REQUIRED REPORTS	
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>	115
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	117
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	118

INTRODUCTORY SECTION

**CITY OF WINDOM, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2024**

Elected Officials

Term Expires

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

(This page intentionally left blank)

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

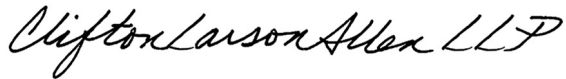
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information,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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2025, on our consideration of the City of Windom, Minnesota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Windom, Minnesota’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windom, Minnesota’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
July 22, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Windom, Minnesota exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$106,959,023 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$12,757,507.
- The City's total net position increased by \$9,885,976 from 2023.
- As of the close of the current fiscal year, the City of Windom, Minnesota's governmental funds reported a combined ending fund balance of \$18,863,747 which is an increase of \$6,703,072 in comparison with the prior year. The overall *unassigned fund balance* is \$2,662,146.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,678,823 or 53% of total 2024 general fund expenditures. The City's Fund Balance policy is to maintain an unrestricted fund balance in the General Fund of an amount that is not less than 35% or more than 60% of the next year's budgeted expenditures of the General Fund.

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

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

Notes to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

CITY OF WINDOM'S NET POSITION

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

Governmental Activities

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

Business-Type Activities

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Windom's Changes in Net Position

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

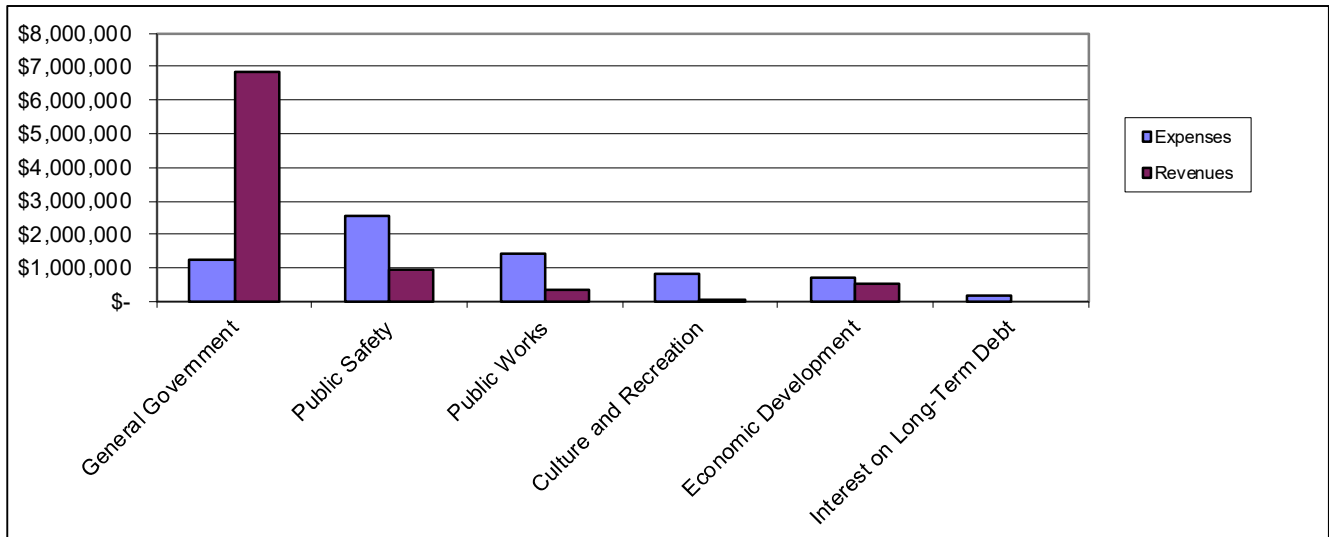
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

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

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

**2024
Expenses and Program Revenues – Governmental Activities**

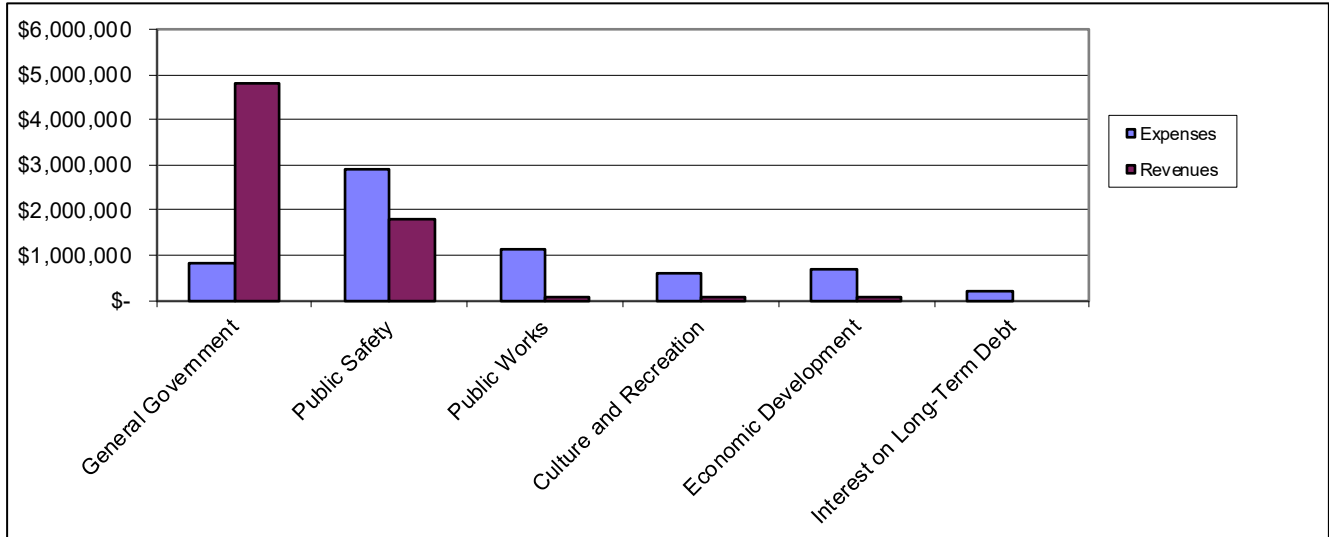


**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

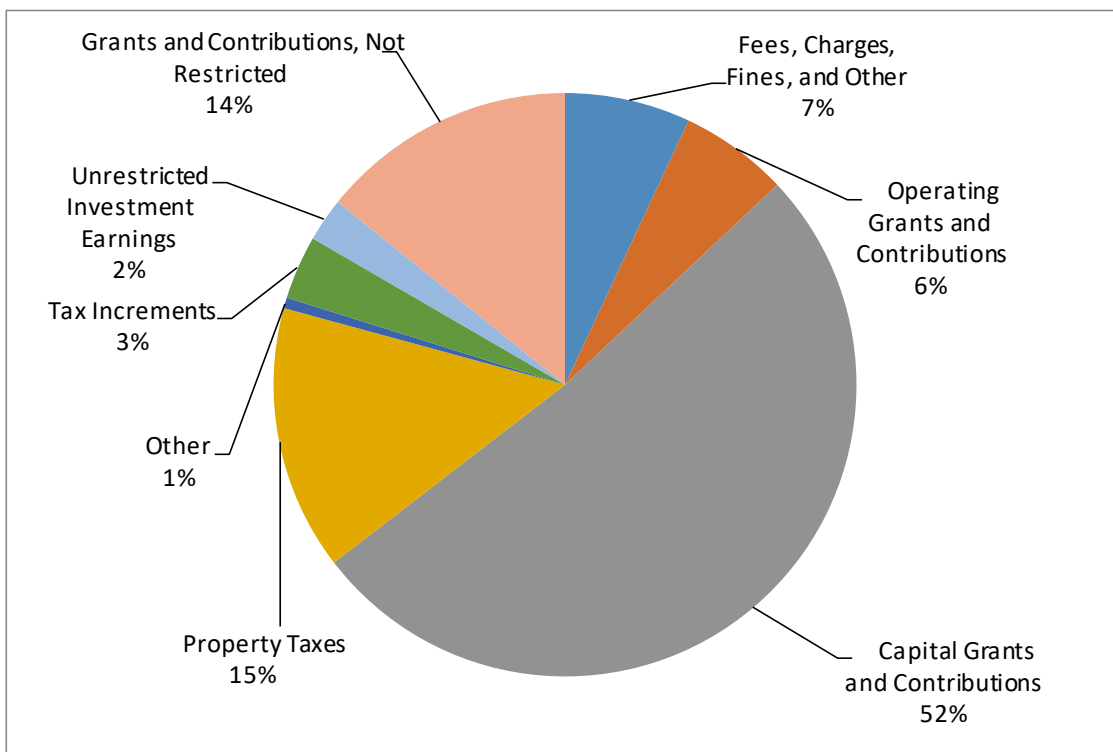
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

**2023
Expenses and Program Revenues – Governmental Activities**



**2024
Revenues by Source – Governmental Activities**

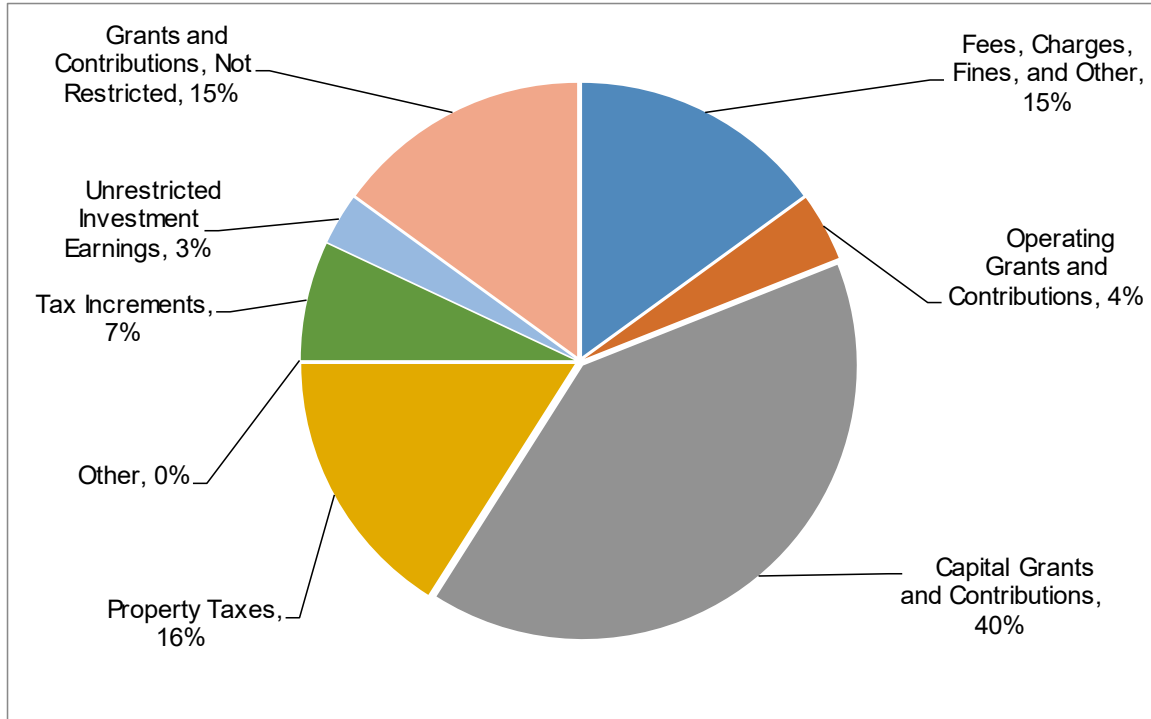


**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

**2023
Revenues by Source – Governmental Activities**



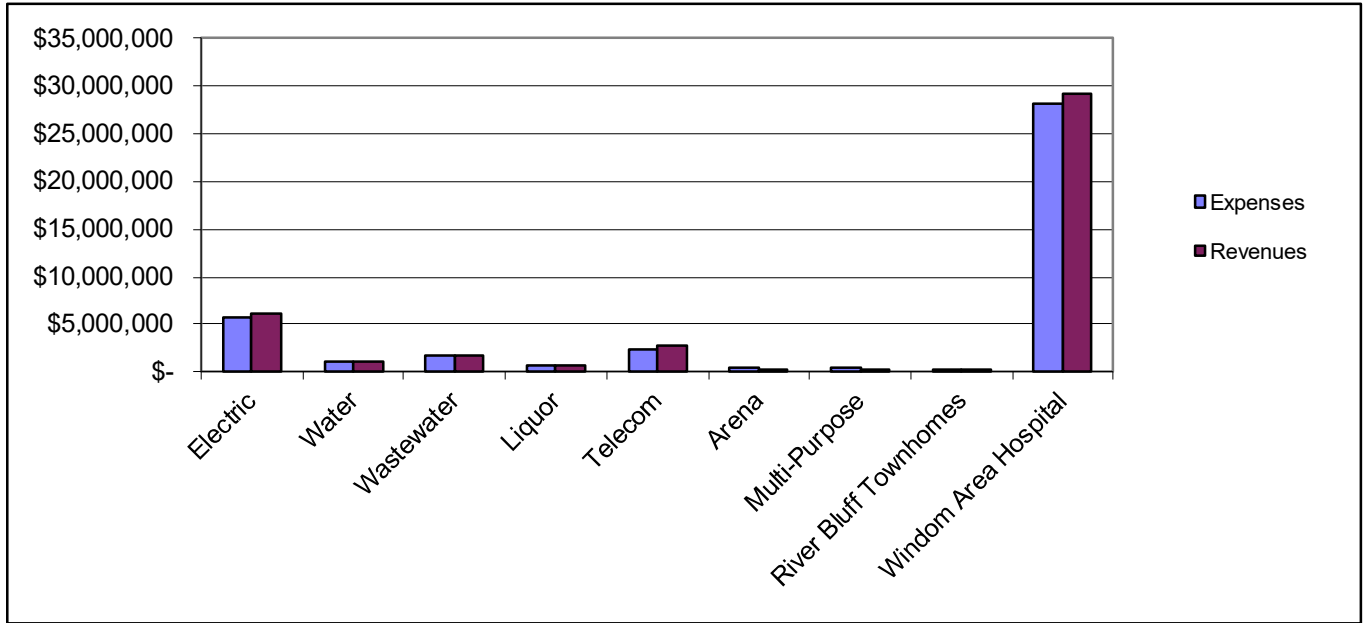
Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenses. Excess revenues are retained within each fund until such time that capital replacement is needed.

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

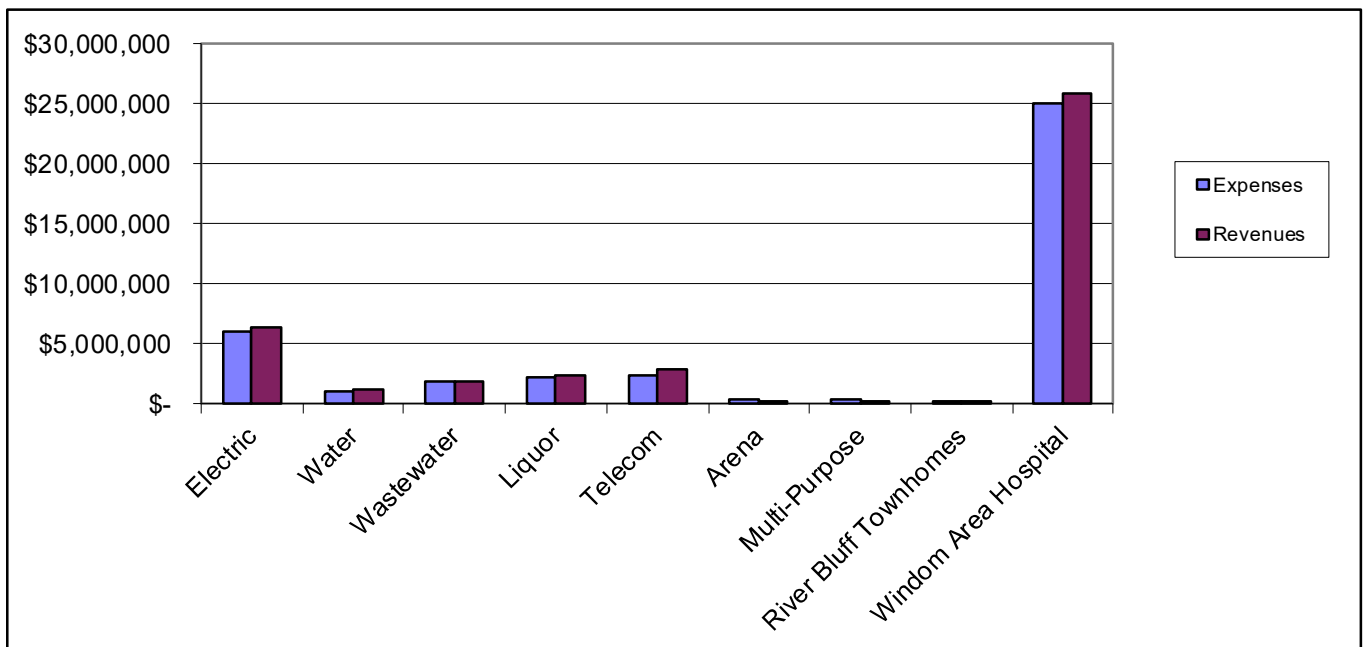
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

**2024
Expenses and Program Revenues – Business-Type Activities**



**2023
Expenses and Program Revenues – Business-Type Activities**



**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds

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

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

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

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

Long-Term Debt

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

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

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

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

**CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 2,748,830	\$ 5,774,452	\$ 8,523,282
Property Taxes Receivable	36,121	-	36,121
Special Assessments Receivable	-	1,145,583	1,145,583
Accounts Receivable	268,524	220,161	488,685
Due from Other Funds	873,523	-	873,523
Advances to Other Funds	489,027	-	489,027
Inventory	51,513	-	51,513
Loans Receivable, Net of Allowance	9,323,982	206,144	9,530,126
Land Held for Resale	-	94,975	94,975
	<u>\$ 13,791,520</u>	<u>\$ 7,441,315</u>	<u>\$ 21,232,835</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts and Contracts Payable	\$ 198,034	\$ 24,492	\$ 222,526
Other Accrued Liabilities	56,952	13,086	70,038
Due to Other Funds	-	37,394	37,394
Advances From Other Funds	-	489,027	489,027
Unearned Revenue	-	134,698	134,698
Total Liabilities	<u>254,986</u>	<u>698,697</u>	<u>953,683</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	271,439	1,140,674	1,412,113
Deferred Inflows of Resources - Leases	3,292	-	3,292
Total Deferred Inflows of Resources	<u>274,731</u>	<u>1,140,674</u>	<u>1,415,405</u>
FUND BALANCES (DEFICITS)			
Nonspendable	9,375,495	94,975	9,470,470
Restricted	1,210	3,257,164	3,258,374
Committed	77,083	-	77,083
Assigned	1,129,192	2,266,482	3,395,674
Unassigned	2,678,823	(16,677)	2,662,146
Total Fund Balances (Deficits)	<u>13,261,803</u>	<u>5,601,944</u>	<u>18,863,747</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,791,520</u>	<u>\$ 7,441,315</u>	<u>\$ 21,232,835</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, 2024**

Total Fund Balance for Governmental Funds \$ 18,863,747

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

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

Land	232,961
Construction in Progress	188,383
Buildings and Building Improvements	14,178,877
Machinery and Equipment	11,067,810
Infrastructure	22,065,420
Office Equipment and Furniture	214,845
Leased Vehicles and Equipment	212,497
Less: Accumulated Depreciation and Amortization	(26,815,265)

Some of the City's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 1,412,113

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (84,245)

The City's net pension asset is recorded only on the statement of net position. 694,367

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

Bonds Payable	(8,260,000)
Unamortized Discounts and Premium	(214,644)
Lease Obligation	(113,377)
Deferred Outflows of Resources - Pensions	1,374,037
Deferred Outflows of Resources - Other Postemployment Benefits	17,056
Deferred Inflows of Resources - Pensions	(1,759,570)
Net Pension Liability	(1,190,142)
Other Postemployment Benefits Liability	(199,273)
Compensated Absences Payable	(246,462)

Total Net Position of Governmental Activities \$ 31,639,135

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General Property Taxes	\$ 1,281,709	\$ -	\$ 679,363	\$ 1,961,072
Tax Increments	-	-	472,642	472,642
Other Taxes	52,717	-	-	52,717
Licenses and Permits	96,982	-	-	96,982
Intergovernmental	8,992,342	-	424,905	9,417,247
Special Assessments	13,004	-	203,023	216,027
Charges for Services	316,793	-	255,868	572,661
Fines and Forfeits	27,377	-	-	27,377
Interest Income	227,371	-	94,918	322,289
Refunds and Reimbursements	123,585	-	16,598	140,183
Grants and Contributions	10,623	-	148,953	159,576
Miscellaneous	8,834	-	78,833	87,667
Total Revenues	<u>11,151,337</u>	<u>-</u>	<u>2,375,103</u>	<u>13,526,440</u>
EXPENDITURES				
Current:				
General Government	583,173	-	-	583,173
Public Safety	1,694,018	-	629,512	2,323,530
Public Works	702,815	-	8,752	711,567
Culture and Recreation	731,090	-	-	731,090
Economic Development	-	-	593,234	593,234
Capital Outlay:				
General Government	471,391	-	-	471,391
Public Safety	284,880	-	-	284,880
Public Works	448,793	-	5,717	454,510
Culture and Recreation	89,024	-	-	89,024
Leases:				
Principal	55,254	-	-	55,254
Interest and Fiscal Charges	5,716	-	-	5,716
Debt Service:				
Principal	-	-	805,000	805,000
Interest and Fiscal Charges	-	-	214,321	214,321
Total Expenditures	<u>5,066,154</u>	<u>-</u>	<u>2,256,536</u>	<u>7,322,690</u>
REVENUE OVER (UNDER) EXPENDITURES	6,085,183	-	118,567	6,203,750
OTHER FINANCING SOURCES (USES)				
Transfer In	249,500	-	170,148	419,648
Transfer Out	(72,084)	-	-	(72,084)
Proceeds from Sale of Capital Assets	42,719	-	-	42,719
Lease Issuances	109,039	-	-	109,039
Total Other Financing Sources (Uses)	<u>329,174</u>	<u>-</u>	<u>170,148</u>	<u>499,322</u>
NET CHANGE IN FUND BALANCE	6,414,357	-	288,715	6,703,072
Fund Balance - Beginning of Year, as Previously Reported	6,847,446	1,913,240	3,399,989	12,160,675
Adjustment, Change in Major Funds	-	(1,913,240)	1,913,240	-
Fund Balance - Beginning of Year, as Adjusted	<u>6,847,446</u>	<u>-</u>	<u>5,313,229</u>	<u>12,160,675</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,261,803</u>	<u>\$ -</u>	<u>\$ 5,601,944</u>	<u>\$ 18,863,747</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, 2024**

Net Change in Fund Balances-Total Governmental Funds \$ 6,703,072

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

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

Capital Outlays	656,909
Gain on Disposal of Capital Assets	12,217
Depreciation and Amortization Expense	(1,263,255)

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

17,466

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

6,861

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

Issuance of Lease Obligations	(109,039)
Repayment of Lease Obligations	55,254
Repayment of Bond Principal and Note Payable	805,000
Change in Accrued Interest Expense for General Obligation Bonds	9,396
Amortization of Bond Premium	107,235

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

(202,482)

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

12,862

Change in Net Position of Governmental Activities

\$ 6,811,496

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

(This page intentionally left blank)

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

(This page intentionally left blank)

NOTES TO FINANCIAL STATEMENTS

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Blended Component Units

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

Windom Area Health Foundation

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

Related Organization

Housing and Redevelopment Authority

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

Other Organizations

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

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

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

2. Fund Financial Statements

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund

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

The City reports the following major proprietary funds:

Electric Fund

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

Wastewater Fund

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

Windom Area Health Fund

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

Telecom Fund

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

C. Measurement Focus and Basis of Accounting

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

D. Budgets

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

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

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets (Continued)

3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with GAAP. Budgeted amounts presented are as originally adopted, and final as amended.

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

1. Cash and Investments

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

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

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

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

2. Restricted Cash and Investments

At April 30, 2024, restricted cash and investments of the Hospital consisted of deposits held in the form of a project and reserve fund, as required for the Revenue Hospital Bonds, Series 2014A.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Property Tax Revenue Recognition

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

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

4. Special Assessment Revenue Recognition

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Special Assessment Revenue Recognition (Continued)

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

5. Accounts Receivable and Allowance for Uncollectible Accounts

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

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

6. Utility Billing

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

7. Inventories

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Prepaid Items

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

9. Interfund Receivables/Payables

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

10. Land Held for Resale

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

11. Capital Assets

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Capital Assets (Continued)

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

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

12. Compensated Absences

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

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

13. Pension Asset/Liability

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Other Postemployment Benefit (OPEB)

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

15. Long-Term Obligations

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

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

16. Deferred Outflows of Resources

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

17. Deferred Inflows of Resources

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

17. Deferred Inflows of Resources (Continued)

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

18. Interfund Transactions

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

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

19. Net Position

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

20. Fund Balance

The classifications of fund balances are described as follows:

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

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

21. Leases

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

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

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

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

22. Use of Estimates

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

23. Policy for Care of the Underserved

The Hospital provides care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. The Hospital believes the underserved are those persons who are unable through private resources, employer support, or public aid to provide payment for health care services or those unable to gain access to health related care because of limited resources, inadequate education, or discrimination. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges forgone for charity care were approximately \$75,000 for the year ended April 30, 2024.

24. Net Patient Service Revenue

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

F. Adoption of New Accounting Standard

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS

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

A. Deposits

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

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

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

B. Investments

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

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

External Investment Pools

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

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

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

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

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

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

Fair Value Measurements

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CAPITAL ASSETS

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 LEASES

Lessor

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

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

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

Lessee

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

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

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

In 2014, the Hospital issued \$5,600,000 in Gross Revenue Hospital Bonds (Series 2014A) for partial financing of a hospital expansion and renovation project. Principal payments are due annually commencing September 2015 to September 2034 with interest paid semi-annually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds are payable from the gross revenues of the Hospital. The bonds are payable from the "Gross Revenues" of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service and are expected to cover future principal and interest payments of \$3,535,000 and \$848,819, respectively. Pledged revenue for the current year was \$3,046,216 and principal and interest paid was \$255,000 and \$144,280, respectively. Under the Series 2014A bonds, the Hospital must meet certain operational and performance covenants and is limited in the amount of additional debt that can be incurred. Management believes the Hospital was in compliance with all debt covenants as of April 30, 2024.

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

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

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

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

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

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

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

In 2023, the Hospital issued Gross Revenue Bonds, Series 2023A in the original issuance amount of \$20,138,646 with an interest rate of 5.70%. Principal payments are due monthly upon completion of the construction of a medical office building in which the bonds were issued to finance. As of April 30, 2024 there were draws of \$50,001 of the bonds. The bonds are payable from the "Gross Revenues" of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service.

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

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

NOTE 6 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Fund

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

B. Benefits Provided

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. Police and Fire Plan Benefits

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

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

C. Contributions

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

1. General Employees Fund Contributions

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

2. Police and Fire Fund Contributions

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

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$7,494,479 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$204,292. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0347 percent at the end of the measurement period and 0.0344 percent for the beginning of the period.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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

For the year ended December 31, 2024, the City recognized pension expense of \$1,167,772 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,179 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the state of Minnesota contributed \$170.1 million to the General Employees Fund. The state of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$58,944 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the General Employees Fund.

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

The \$764,112 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

2. Police and Fire Fund Pension Costs

At December 31, 2024 the City reported a liability of \$762,575 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0580% at the end of the measurement period and 0.0574% for the beginning of the period.

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

For the year ended December 31, 2024, the City recognized pension expense of \$142,590 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$11,428 as grant revenue and pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The \$72,201 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Plan Provisions:

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

Description	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the General Employee's Plan Net Pension Liability	\$ 13,788,748	\$ 7,494,479	\$ 2,315,724
Description	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 1,802,113	\$ 762,575	\$ (91,104)

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

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

J. Aggregate Pension Costs

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

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

NOTE 7 DEFINED CONTRIBUTION PENSION PLAN

1. Plan Description

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member’s account annually.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

1. Plan Description (Continued)

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

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

NOTE 8 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

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

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

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

B. Excess of Expenditures Over Budget

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due to/from Other Funds

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

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

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

B. Advances to/from Other Funds

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

Fund	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 489,027	\$ -
Economic Development Fund	-	489,027
Total Advances	<u>\$ 489,027</u>	<u>\$ 489,027</u>

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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

C. Transfers

Transfers between funds during 2024 are as follows:

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

NOTE 10 RISK MANAGEMENT

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 RISK MANAGEMENT (CONTINUED)

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

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

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

A. Plan Description

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

B. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Windom Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$3,000 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and at least 10 years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

B Benefits Provided (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$3,000 for each year the member was an active member of the City of Windom Fire Department. A death benefit is also available, which is payable to a survivor.

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

C. Contributions

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

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

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

D. Pension Costs

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

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

ASSUMPTIONS FROM ACTUARIAL REPORT

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

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

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

F. Discount Rate

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

G. Pension Asset Sensitivity

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

H. Plan's Fiduciary Net Position

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

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

I. Plan's Fiduciary Net Position Pension Liability Sensitivity

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Benefits Provided

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

C. Actuarial Methods and Assumptions

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

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

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

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

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

D. Changes in the Total OPEB Liability

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the Total OPEB Liability (Continued)

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

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

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

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

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

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

The \$40,645 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2025.

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 TAX INCREMENT FINANCING

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

NOTE 14 FUND BALANCE

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

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 RESTATEMENTS TO BEGINNING FUND BALANCES

Change in Fund Presentation from Major to Nonmajor

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

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

NOTE 16 COMMITMENTS AND CONTINGENCIES

A. Federal and State Funds

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

B. Electric Power Purchase Agreement

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

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

C. Construction Contract Commitments

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

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Malpractice Claims

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

E. Health Care Compliance

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

NOTE 17 NET PATIENT SERVICE REVENUE AND RECEIVABLES

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

Medicare

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

Medicaid

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

Revenue from the Medicare programs accounted for approximately 44% for the year ended 2024, and revenue from the Medicaid programs accounted for approximately 11% for the year ended 2024, of the Hospital's net patient revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2024 net patient service revenue increased approximately \$249,000 due to removal of allowance previously estimated that are no longer considered necessary as a result of changes in estimates and years that are no longer subject to audits, reviews, and investigations.

**CITY OF WINDOM, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 17 NET PATIENT SERVICE REVENUE AND RECEIVABLES (CONTINUED)

Other

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

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

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

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

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

NOTE 18 MANAGEMENT AGREEMENTS

The Hospital has a management agreement with Sanford Health Services (Sanford). This agreement gives Sanford, through the Hospital's administrator, full authority to implement and fulfill the policy decisions of the Hospital's board of directors. Either party may terminate this agreement with proper notice. Total management fees, including the administrator's salary and benefits, were \$347,178 for the year ended April 30, 2024.

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

The Hospital entered into a management agreement with Healogics in fiscal year 2018 to begin providing wound care services. The Hospital provides space and employee staffing, and Healogics provides the necessary equipment. The Hospital pays management fees to Healogics in the amount of \$15,000 per month for five years from the commencement of the agreement.

(This page intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

NOTE 1 BUDGETS

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

NOTE 2 LEGAL COMPLIANCE – BUDGETS

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

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

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

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

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

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

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

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City - GERF										
City's Proportion of the Net Pension Liability (Asset)	0.0347%	0.0344%	0.0341%	0.0373%	0.0353%	0.0351%	0.0359%	0.0366%	0.0370%	0.0450%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,494,479	\$ 10,889,085	\$ 7,342,707	\$ 7,876,115	\$ 7,805,506	\$ 7,499,285	\$ 8,439,358	\$ 10,074,407	\$ 8,243,742	\$ 2,098,920
State's Proportionate Share of the Net Pension Liability Associated with the City of Windom	\$ 204,292	\$ 315,979	\$ 342,202	\$ 190,326	\$ 242,109	\$ 242,689	\$ 146,437	\$ 29,380	\$ 39,236	N/A
City's Covered Payroll	\$ 11,745,147	\$ 11,410,055	\$ 11,015,714	\$ 10,545,412	\$ 10,039,460	\$ 9,818,915	\$ 9,238,069	\$ 8,685,475	\$ 8,309,488	\$ 2,378,626
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	63.81%	95.43%	66.66%	74.69%	77.75%	76.38%	91.35%	115.99%	99.21%	88.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.67%	87.00%	79.10%	80.20%	75.90%	68.90%	68.90%	78.20%
PEPFF										
City's Proportion of the Net Pension Liability (Asset)	0.0580%	0.0574%	0.0587%	0.0539%	0.0549%	0.0571%	0.0556%	0.0560%	0.0547%	5.5000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 762,575	\$ 991,224	\$ 2,554,392	\$ 416,051	\$ 723,641	\$ 607,890	\$ 587,634	\$ 756,067	\$ 2,207,246	\$ 624,929
State's Proportionate Share of the Net Pension Liability Associated with the City of Windom	\$ 29,069	\$ 39,919	\$ 111,473	\$ 18,697	\$ 17,050	\$ 242,689	\$ 146,437	\$ 29,380	\$ 39,236	N/A
City's Covered-Employee Payroll	\$ 802,644	\$ 747,729	\$ 737,390	\$ 685,944	\$ 619,078	\$ 601,744	\$ 585,592	\$ 570,375	\$ 526,951	\$ 506,666
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	95.01%	132.56%	346.41%	60.65%	116.89%	101.02%	100.35%	132.56%	418.87%	138.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	86.47%	70.53%	93.66%	87.20%	89.30%	88.84%	63.90%	63.90%	63.90%
	Measurement Date December 31, 2023	Measurement Date December 31, 2022	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2016	Measurement Date December 31, 2015
Fire Relief Association										
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (694,367)	\$ (515,050)	\$ (744,401)	\$ (633,903)	\$ (550,812)	\$ (415,676)	\$ (542,171)	\$ (360,080)	\$ (360,080)	\$ (182,216)
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	202.42%	177.00%	201.00%	195.00%	187.98%	162.64%	163.94%	142.27%	142.27%	138.33%

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

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

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

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

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

A. General Employees Fund

2024

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2023

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2022

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

2021

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

**CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

A. General Employees Fund (Continued)

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

A. General Employees Fund (Continued)

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2017

Changes in Actuarial Assumptions:

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

A. General Employees Fund (Continued)

2017 (Continued)

Changes in Plan Provisions:

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

2016

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

2015

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

B. Police and Fire Fund

2024

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

B. Police and Fire Fund (Continued)

2024 (Continued)

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

2023

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2022

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

2021

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

**CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

B. Police and Fire Fund (Continued)

2021 (Continued)

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

2020

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

2019

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

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

B. Police and Fire Fund (Continued)

2017

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

2016

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

2015

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

CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

2023

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

2022

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

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- Retiree premiums were updated to current levels.

2020

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

**CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

OPEB Changes (Continued)

2019

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

2018

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

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

2023

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

2022

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

2021

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

2020

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

2019

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

**CITY OF WINDOM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

Windom Firefighters Relief Association Plan Changes (Continued)

2018

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

2017

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

2016

- No changes.

2015

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

SUPPLEMENTARY INFORMATION

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

(This page intentionally left blank)

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

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

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

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

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

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

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

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

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

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

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

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

OTHER REQUIRED REPORTS



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

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

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

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

City of Windom, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Austin, Minnesota
July 22, 2025



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

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

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
July 22, 2025

(This page intentionally left blank)

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2024**

Part I: Findings Related to the Basic Financial Statements

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

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

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

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

Context: The City has a limited number of staff.

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

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

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

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

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

**CITY OF WINDOM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

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

FINDING: 2024-002 PROPOSED ADJUSTING JOURNAL ENTRIES

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

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

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

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

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

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

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

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

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

Part II: Minnesota Legal Compliance Findings

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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER

— LAW FIRM —

May 21, 2026

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

**Re: City of Windom, Minnesota
\$3,960,000 General Obligation Improvement Bonds, Series 2026A**

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 429 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 May 5, 2026, 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 and other materials we considered 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

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

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

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

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

FRYBERGER LAW FIRM

Page 2

certifications made by the Issuer, agents of the Issuer and others in connection with the 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.

3. The Bonds, as of its date of issuance, bears interest which is (a) 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; (b) includable in taxable income of corporations and financial institutions for purposes of State franchise tax; and (c) not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as “qualified tax-exempt obligations” under and within the meaning of Section 265(b)(3)(b) of the Code.

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.

FRYBERGER LAW FIRM

Page 4

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.

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.

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 CERTIFICATE

(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 \$3,960,000 General Obligation Improvement Bonds, Series 2026A, dated May 21, 2026 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated May 5, 2026 (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 _____ 2026, 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, 2025, 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) U.S. Census Data/Population Trend
- (e) Employment/Unemployment Data

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 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 of 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 May 21, 2026.

CITY OF WINDOM, MINNESOTA

By _____
Mayor

By _____
City Administrator

TERMS OF PROPOSAL

**\$3,960,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026A
CITY OF WINDOM, MINNESOTA**

Proposals for the purchase of \$3,960,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds") of the City of Windom, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, 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 May 5, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. 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.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing the City's 2026 Street Project and reimbursing the City for the cost of the 2025 Alley Project. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 21, 2026, 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>
2028	\$170,000	2035	\$220,000	2042	\$190,000
2029	180,000	2036	225,000	2043	195,000
2030	185,000	2037	240,000	2044	205,000
2031	190,000	2038	160,000	2045	215,000
2032	200,000	2039	165,000	2046	225,000
2033	200,000	2040	170,000	2047	235,000
2034	210,000	2041	180,000		

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 February 1, 2027, 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 2028 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, Minneapolis, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC 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, 2037 shall be subject to optional redemption prior to maturity on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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 May 21, 2026, 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 MATTERS

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 the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the 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 the 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 the 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 the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,912,480 plus accrued interest on the principal sum of \$3,960,000 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 IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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 \$79,200 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 Underwriter (Syndicate Manager) 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 Underwriter (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 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the City Council

City of Windom, Minnesota

PROPOSAL FORM

The City Council
City of Windom, Minnesota (the "City")

May 5, 2026

RE: \$3,960,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds")
DATED: May 21, 2026

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 \$3,912,480) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038	_____ % due	2045
_____ % due	2032	_____ % due	2039	_____ % due	2046
_____ % due	2033	_____ % due	2040	_____ % due	2047
_____ % due	2034	_____ % due	2041		

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 2028 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 \$79,200 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 May 21, 2026.

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 Underwriter (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 either the: ___ 10% test, or the ___ 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 May 21, 2026 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 May 5, 2026.

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