

**CITY OF WINDOM, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2013**



**CITY OF WINDOM, MINNESOTA  
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## **INTRODUCTORY SECTION**



**CITY OF WINDOM, MINNESOTA  
OFFICIAL DIRECTORY  
DECEMBER 31, 2013**

Elected Officials

Term Expires

Mayor	Corey Maricle	December 31, 2016
Council Member	Brian Cooley	December 31, 2016
Council Member	JoAnn Ray	December 31, 2016
Council Member	Dominic Jones	December 31, 2014
Council Member	Kelsey Fossing	December 31, 2014
Council Member	Brad Powers	December 31, 2014

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windom (the City), Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Economic Development Fund	Unmodified
2013 Street Capital Project Fund	Unmodified
Electric Fund	Unmodified
Water Fund	Unmodified
Liquor Fund	Unmodified
Sewer Fund	Unmodified
Telecom Fund	Unmodified
Windom Area Hospital Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

**Basis for Adverse Opinion on Windom Area Hospital Fund and Qualified Opinion on Business-Type Activities**

Management has not included the Windom Area Hospital Fund in the City’s financial statements. Accounting principles generally accepted in the United States of America require the Windom Area Hospital Fund to be presented as a major enterprise fund and financial information about the Windom Area Hospital Fund to be part of the business-type activities, thus increasing that activity’s assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, fund balances, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

**Adverse Opinion**

In our opinion, because of significance of the matter described in the “Basis for Adverse Opinion on Windom Area Hospital Fund and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the Windom Area Hospital Fund of the City of Windom, as of December 31, 2013, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Qualified Opinion**

In our opinion, except for the matter described in the “Basis for Adverse Opinion on Windom Area Hospital Fund and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Windom, as of December 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Windom Area Hospital Fund, and the aggregate remaining fund information of the City of Windom as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, and budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter Regarding a Change in Accounting Principle***

As discussed in Note 11 to the financial statements, the City of Windom adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of and for the year ended December 31, 2013. Our opinion is unmodified with respect to this matter.

***Emphasis of a Matter Regarding the Correction of an Error***

As described in Note 11 to the financial statements, certain errors resulting in an understatement of fund balance in the General Fund and in the Economic Development Fund, and an understatement of net position of Governmental Activities, were discovered by management of the City during the current year. Accordingly, amounts reported for fund balance in the General Fund and Economic Development Fund and net position of Governmental Activities have been restated to correct the error. Our opinion is unmodified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

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

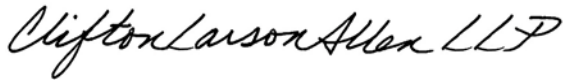
***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the City of Windom's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windom's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 24, 2014

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

As management of the City of Windom (the City), Minnesota, we offer readers of the City of Windom's financial statements this narrative overview and analysis of the financial activities of the City of Windom for the fiscal year ended December 31, 2013.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Windom exceeded its liabilities at the close of the most recent fiscal year by \$28,112,970 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$11,160,402.
- The City's total net position increased by \$2,663,593 from 2012.
- As of the close of the current fiscal year, the City of Windom's governmental funds reported a combined ending fund balance of \$6,962,638, an increase of \$149,949 in comparison with the prior year. The overall *unassigned fund balance* is \$1,853,162.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,178,059, or 69% of total 2013 general fund expenditures.
- The City of Windom's total bonded debt increased by \$3,078,267 or 13.6% during the current fiscal period.
- 2013 Street Improvement \$4.3 Million dollar project was completed and 26% of the total project costs were assessed to property owners benefiting from the project. The assessment percentages for the project resulted in special assessments of 27% of the water costs, 18% of the sewer costs and 33% of the street costs.
- The large 95 x 60 airport hangar construction project was completed; funds used to construct the hanger included grant funds of \$458,088 from the US Department of Transportation, Federal Aviation Administration and a required 10% city match.
- The North Windom Industrial Park (NWIP) phase I infrastructure project was completed. A portion of the funding for the project was received through a BDPI DEED grant in the amount \$549,540, MnDOT TED Grant in the amount \$544,960, and MnDOT District 7 Funds of \$270,680.
- Fast Manufacturing located in the NWIP and has constructed a 240' x 300' facility. They have begun phase II and will double the size of their new facility by expanding the building with a 240' x 300' addition. Total size for the completed facility will be 144,000 square feet. It is anticipated that the new facility will hire an additional 25 new employees for a total of 90 employees.
- The Windom Arena Committee completed the Pre-design and estimated cost for a new 60,000 sq. ft. Arena facility. A State Bonding Grant request for 50% of the \$6 Million dollar project cost was submitted to the State of Minnesota.
- The new Tyler Technologies Incode Financial Software conversion was completed. This conversion updated outdated financial software (general ledger, accounts payable, and payroll) and provides additional enhanced features including more comprehensive reporting.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

**Government-Wide Financial Statements**

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

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

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

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

The government-wide financial statements can be found on pages 18-20 of this report.

**Fund Financial Statements**

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

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

***Governmental Funds***

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

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

The City of Windom maintains ten 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, economic development fund, and capital project fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

***Proprietary Funds***

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

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and electric utilities, municipal liquor store, and telecom operation which are considered to be major funds of the City of Windom. The basic proprietary fund financial statements can be found on pages 28-35 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 36-62 of this report.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Other Information**

The combining statements referred to earlier in conjunction with nonmajor governmental and proprietary funds are presented immediately following the financial statement footnotes. Combining and individual fund statements can be found on pages 68-74.

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Windom, total assets and deferred outflows in resources exceeded total liabilities and deferred inflows of resources by \$28,112,970 at the close of the most recent fiscal year compared to \$23,658,312 at the end of 2012.

More than half of the City of Windom's net position (54%) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City of Windom uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Windom's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF WINDOM'S NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Current and Other Assets	\$ 8,826,143	\$ 7,732,677	\$ 9,636,256	\$ 9,510,602	\$ 18,462,399	\$ 17,243,279
Capital Assets	15,933,048	12,130,425	23,346,804	22,458,150	39,279,852	34,588,575
Total Assets	24,759,191	19,863,102	32,983,060	31,968,752	57,742,251	51,831,854
<b>LIABILITIES</b>						
Noncurrent Liabilities Outstanding	7,598,125	5,122,747	18,685,228	18,398,650	26,283,353	23,521,397
Other Liabilities	1,068,479	649,914	2,277,449	1,816,746	3,345,928	2,466,660
Total Liabilities	8,666,604	5,772,661	20,962,677	20,215,396	29,629,281	25,988,057
Net Position:						
Net Investment in Capital Assets	10,233,282	6,514,120	4,887,627	10,446,421	15,120,909	16,960,541
Restricted	1,831,659	928,078	-	2,064,030	1,831,659	2,992,108
Unrestricted	4,027,646	6,648,243	7,132,756	(757,095)	11,160,402	5,891,148
Total Net Position	\$ 16,092,587	\$ 14,090,441	\$ 12,020,383	\$ 11,753,356	\$ 28,112,970	\$ 25,843,797

The remaining balance of the City of Windom's net position is mostly *unrestricted net position* (40%) that may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental Activities**

Governmental activities increased the City of Windom's net position by \$2,106,106. The most significant change in governmental net position is due to the effect of accounting for net position under the full accrual basis. Under full accrual accounting, the full amount of special assessments certified for the 2013 street project is recognized as revenue. These amounts will be collected over 15 years. Also contributing is the receipt of grant funds for the NWIP development.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities**

Business-type activities increased the City of Windom's net position by \$557,487. Electric, water and sewer utilities as well as the operation of the municipal liquor store all contributed to the increase in net position due to revenues exceeding expenses. Telecom expenses exceeded revenues by \$115,279 offsetting the increase resulting from other business-type activities.

**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, 2013:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program Revenues:						
Fees, Charges, Fines and Other	\$ 938,620	\$ 714,677	\$ 12,715,778	\$ 12,293,980	\$ 13,654,398	\$ 13,008,657
Operating Grants and Contributions	613,942	-	-	-	613,942	-
Capital Grants and Contributions	1,672,793	1,088,557	410,126	-	2,082,919	1,088,557
General Revenues:						
Property Taxes	1,510,745	1,165,245	419,095	534,727	1,929,840	1,699,972
Other Taxes	22,387	-	-	-	22,387	-
Grants and Contributions, Not Restricted	1,202,917	1,342,898	39,936	5,500	1,242,853	1,348,398
Unrestricted Interest Income	13,505	-	18,874	-	32,379	-
Unrestricted Investment Earnings (Loss)	(7,369)	2,694	(15,512)	8,543	(22,881)	11,237
Miscellaneous	-	594,193	-	3,608	-	597,801
Total Revenues	5,931,766	4,908,264	13,588,297	12,846,358	19,520,063	17,754,622
<b>EXPENSES</b>						
General Government	734,298	438,386	-	-	734,298	438,386
Public Safety	1,510,606	1,463,497	-	-	1,510,606	1,463,497
Public Works	667,201	1,003,298	-	-	667,201	1,003,298
Culture and Recreation	483,184	448,741	-	-	483,184	448,741
Economic Development	639,543	421,778	-	-	639,543	421,778
Interest on Long-Term Debt	234,342	373,975	-	-	234,342	373,975
Electric	-	-	5,417,401	5,178,854	5,417,401	5,178,854
Water	-	-	1,027,579	831,093	1,027,579	831,093
Sewer	-	-	1,223,441	995,969	1,223,441	995,969
Liquor Store	-	-	1,418,942	1,391,364	1,418,942	1,391,364
Telecom	-	-	2,777,166	2,893,303	2,777,166	2,893,303
Arena	-	-	340,352	293,060	340,352	293,060
Multi-Purpose	-	-	300,228	287,482	300,228	287,482
River Bluff Townhomes	-	-	82,187	79,333	82,187	79,333
Total Expenses	4,269,174	4,149,675	12,587,296	11,950,458	16,856,470	16,100,133
Increase in Net Position before Transfers	1,662,592	758,589	1,001,001	895,900	2,663,593	1,654,489
Transfers	443,514	406,477	(443,514)	(406,477)	-	-
<b>CHANGE IN NET POSITION</b>	2,106,106	1,165,066	557,487	489,423	2,663,593	1,654,489
Net Position - Beginning of Year	11,904,956	10,739,890	11,753,356	11,128,157	23,658,312	21,868,047
Prior Period Adjustment	2,081,525	-	(290,460)	135,776	1,791,065	135,776
Net Position - Beginning of Year (as restated)	13,986,481	10,739,890	11,462,896	11,263,933	25,449,377	22,003,823
<b>NET POSITION - END OF YEAR</b>	<u>\$ 16,092,587</u>	<u>\$ 11,904,956</u>	<u>\$ 12,020,383</u>	<u>\$ 11,753,356</u>	<u>\$ 28,112,970</u>	<u>\$ 23,658,312</u>

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

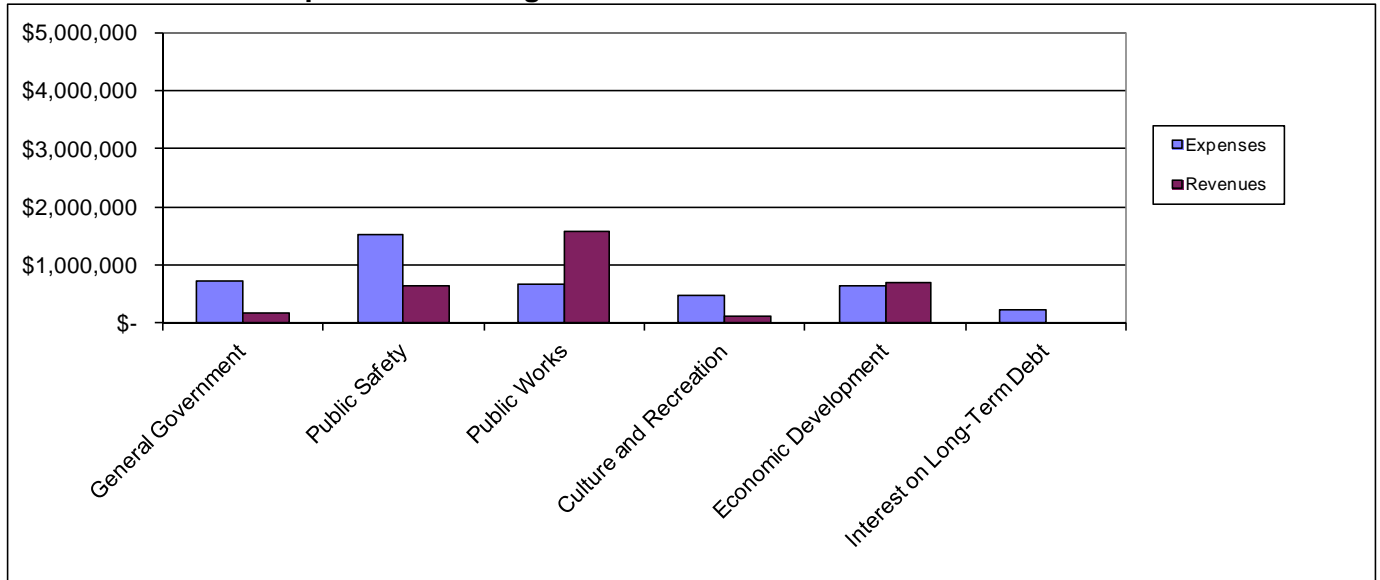
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

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

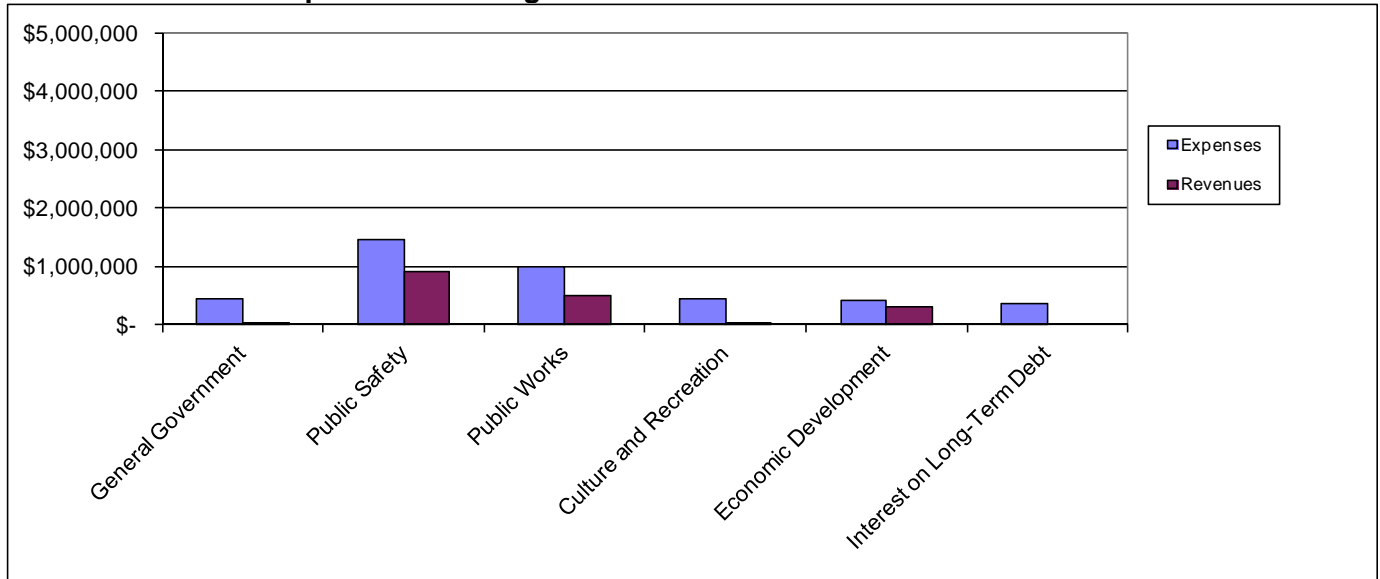
**2013**

**Expenses and Program Revenues-Governmental Activities**



**2012**

**Expenses and Program Revenues-Governmental Activities**

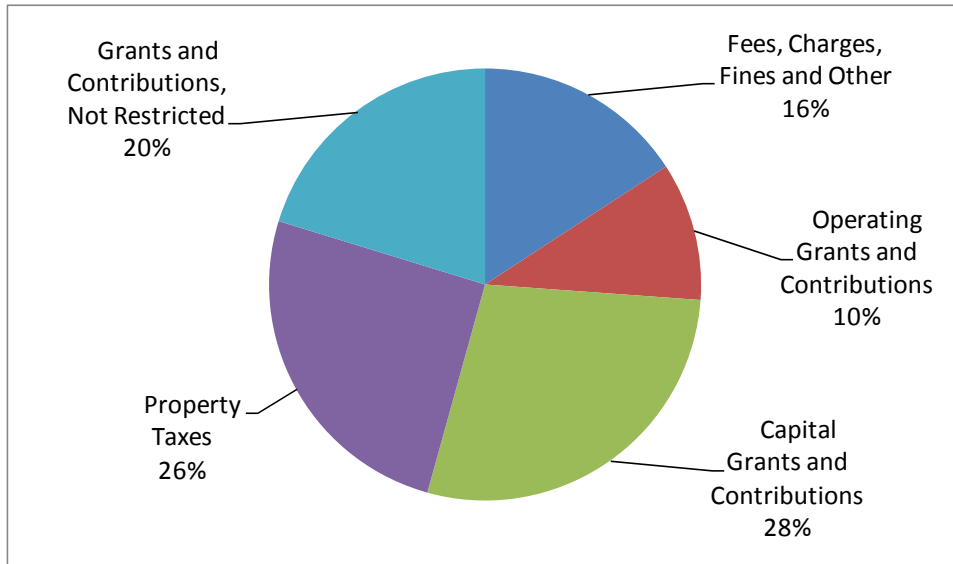


**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

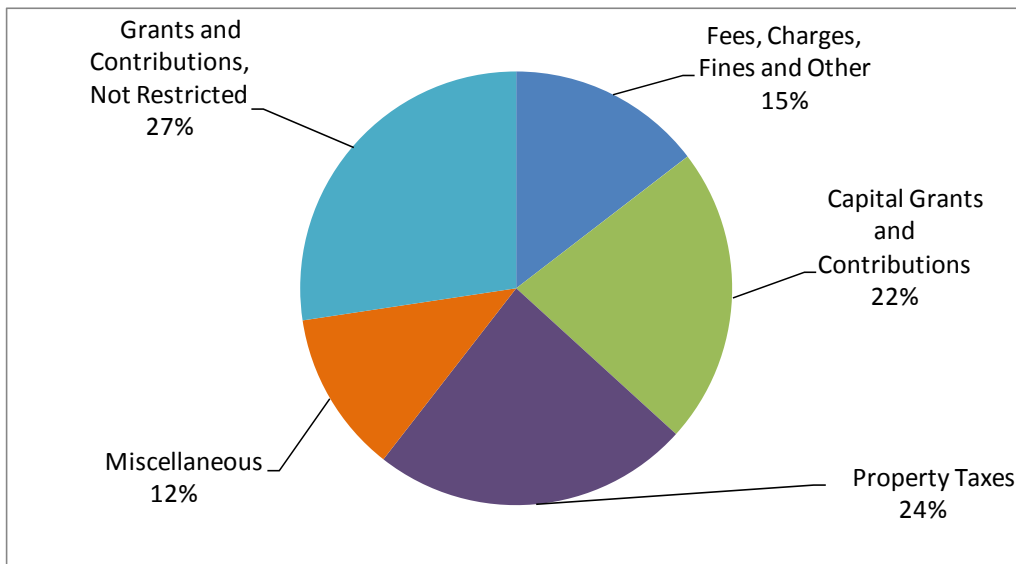
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

**2013  
Revenues by Source-Governmental Activities**



**2012  
Revenues by Source-Governmental Activities**



**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

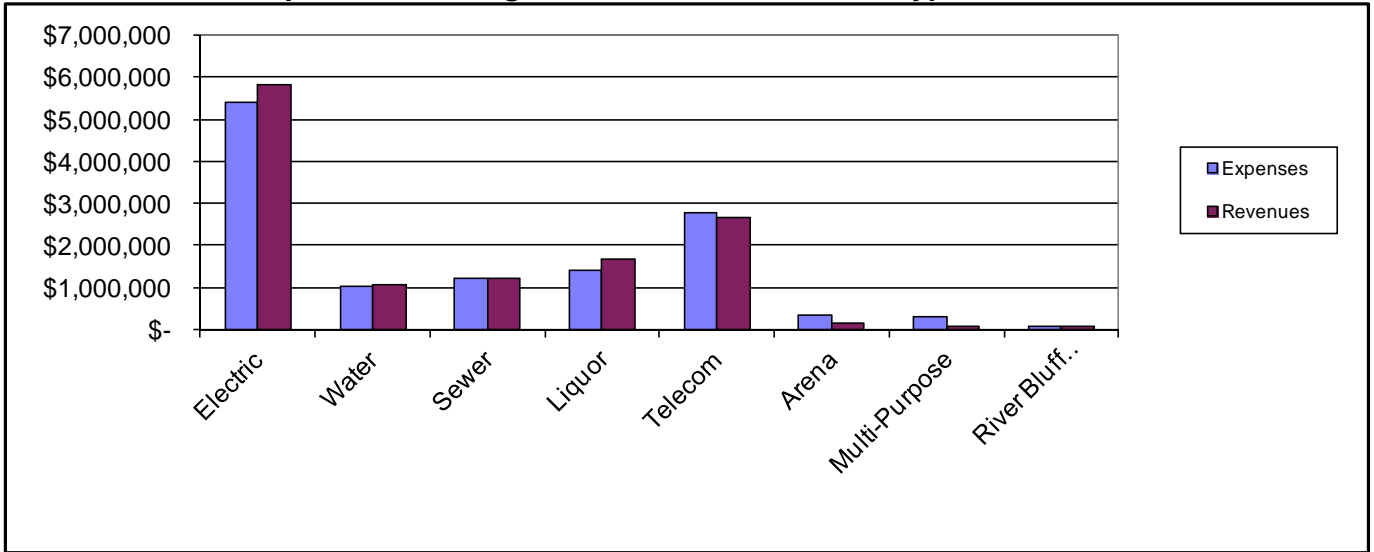
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

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

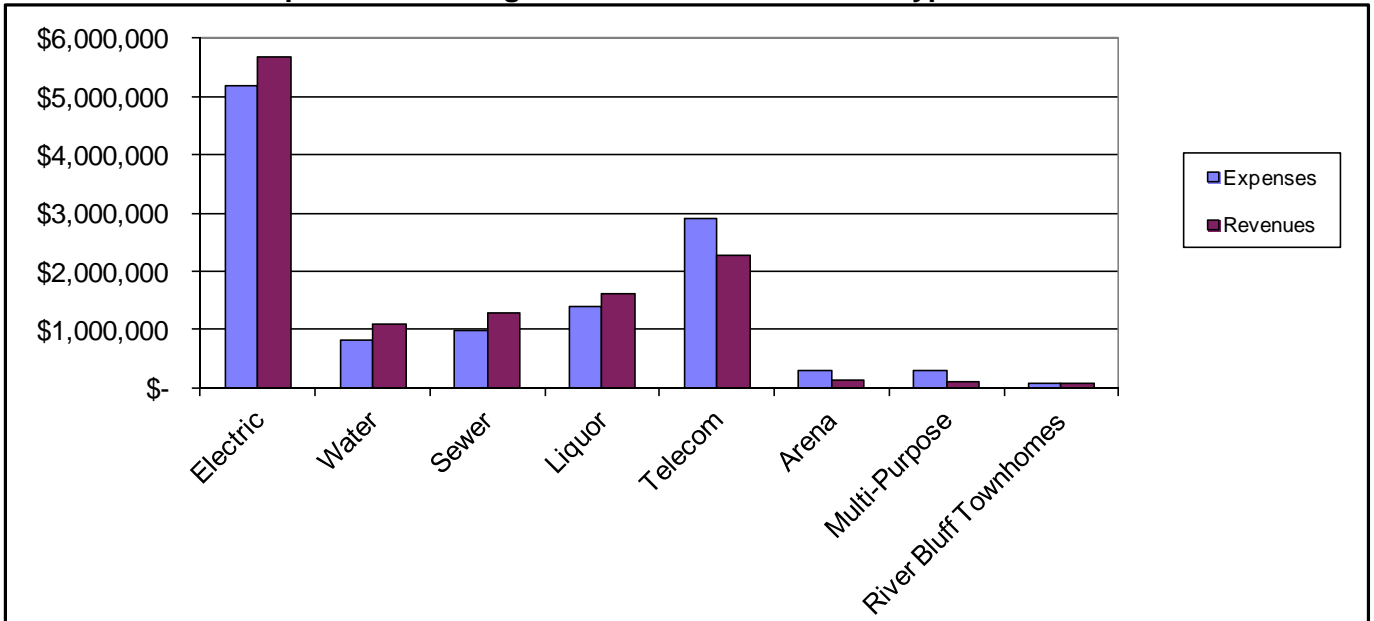
**2013**

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



**2012**

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



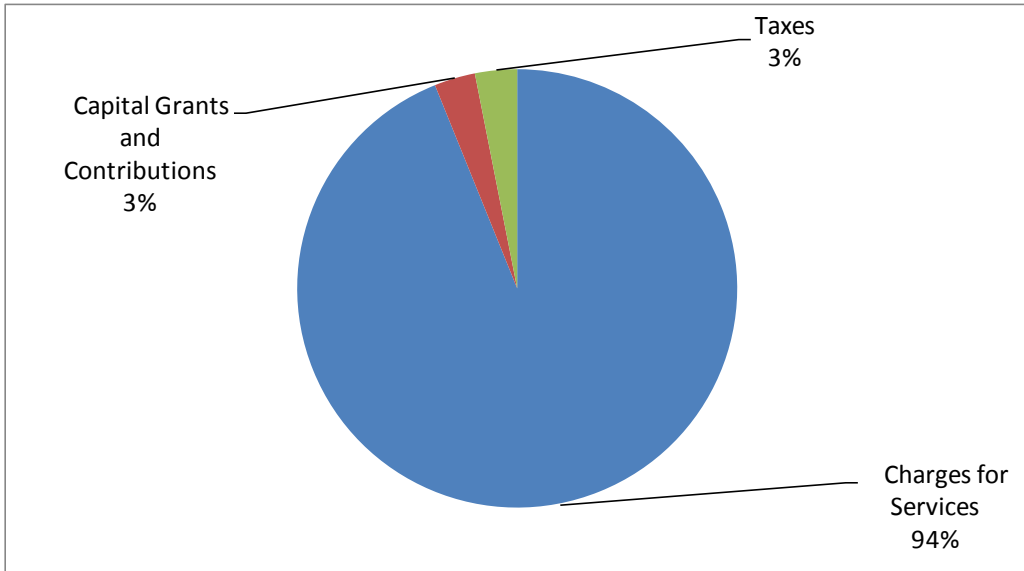


**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

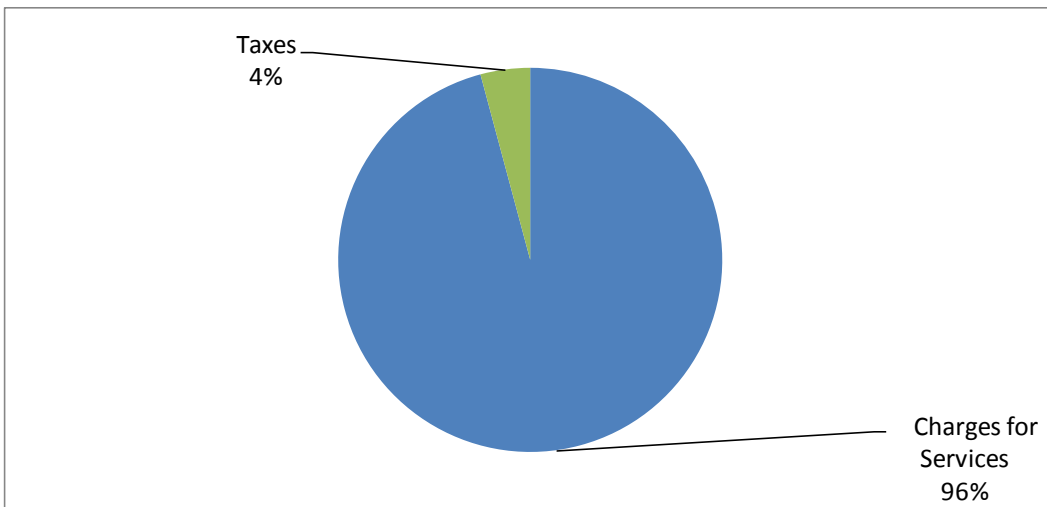
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

**2013  
Revenues by Source – Business-Type Activities**



**2012  
Revenues by Source – Business-Type Activities**



Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in revenues in the above charts.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City of Windom's governmental funds reported combined ending fund balances of \$6,962,638, an increase of \$149,949 in comparison with 2012. The City reported an unassigned fund balance in the amount of \$1,853,162. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending. At December 31, 2013 fund balances were as follows:

	Balance	Increase (Decrease) From 2012
General Fund	\$ 2,545,483	\$ 324,999
Economic Development Fund	1,412,412	(659,548)
2013 Street Capital Project Fund	460,440	499,575
Other Governmental Funds	2,544,303	(15,077)
Total	<u>\$ 6,962,638</u>	<u>\$ 149,949</u>

The general fund is the chief operating fund of the City of Windom. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,178,059.

During the current fiscal year, the City of Windom's general fund balance increased by \$324,999. The increase was a result of capital transfers for public safety equipment purchased for delivery in 2014.

**Economic Development**

The decrease in the economic development fund balance was the result of reserve funds used toward the development of the North Windom Industrial Park.

**Capital Project**

The capital projects fund balance increased as a result of advanced payment of special assessments as well as bond proceeds received in excess of capital project expenses.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Proprietary Funds**

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

Total net position in the electric fund at the end of 2013 was \$9,660,189, of which \$5,916,738 is unrestricted. Net position increased \$257,820 during the current year primarily due to the continuation of the electric rate calculation used to grow the operational reserve fund.

The water fund has total net position of \$3,112,759, of which \$595,382 is unrestricted. The increase in net position of \$192,292 was lower than the 2012 increase due to a contribution by the water utility to fund development of North Windom Industrial Park.

The sewer fund has total net position of \$4,832,489, of which \$723,072 is unrestricted. The increase in net position of \$45,953 was lower than the 2012 increase due to increased expenses related to depreciation and interest expense related to Waste Water Treatment Plant upgrade completed in 2012 as well as a contribution by the sewer utility to fund development of North Windom Industrial Park.

The liquor fund has total net position of \$924,789. It has unrestricted net position of \$810,307. Net position increased by \$169,648 from 2012. Net position increase is consistent with prior years and includes an annual transfer to the General Fund (see Note 8).

The telecom fund reported a deficit net position of (\$7,881,622), a decrease from 2012 by \$115,279. Consistent with prior years, total expenses exceeded total revenues in this fund. Increased revenues in 2013 due to growth in Southwest Minnesota Broadband Services (SMBS) partnership narrowed the gap between revenues and expenses. Future revenues are expected to exceed expenses in this fund as the SMBS partnership continues to grow.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were \$491,155 over budget due mainly to an increase in intergovernmental revenues. Expenditures came in over the budgeted amounts by \$411,463 which is mainly due to capital outlay being over budget. This resulted in a net fund balance decrease of \$100,001 compared to a budgeted increase of \$79,692 for the fiscal year (excluding other financing sources and uses).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Windom's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$39,279,852 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment, office equipment and furniture, and construction in progress. The total increase in the City of Windom's investment in capital assets (net of accumulated depreciation) was \$4,691,277 when compared to 2012. Most of this increase can be attributed to the completion of the 2013 street project and NWIP development.

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 227,061	\$ 227,061	\$ 169,920	\$ 169,920	\$ 396,981	\$ 396,981
Buildings and Building Improvements	4,713,730	4,453,189	20,306,122	19,382,014	25,019,852	23,835,203
Infrastructure	8,733,054	6,564,654	-	-	8,733,054	6,564,654
Machinery and Equipment	808,709	857,265	2,698,347	2,848,549	3,507,056	3,705,814
Office Equipment and Furniture	44,203	28,257	104,605	57,666	148,808	85,923
Construction in Progress	1,406,291	-	67,810	-	1,474,101	-
Total	<u>\$ 15,933,048</u>	<u>\$ 12,130,426</u>	<u>\$ 23,346,804</u>	<u>\$ 22,458,149</u>	<u>\$ 39,279,852</u>	<u>\$ 34,588,575</u>

**Long-Term Debt**

At the end of the current fiscal year, the City of Windom had total bonded debt outstanding of \$27,052,301. The City of Windom's total bonded debt increased by \$3,078,267 or 13.6% during the current fiscal period. There were two new bonds issued in the current fiscal year, a \$4,400,000 General Obligation Improvement Bond, and a \$615,000 General Obligation Bond for equipment and NWIP development. Detailed information about the City's debt and other long-term liabilities is presented in the notes to the financial statements.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
G.O. Bonds	\$ 7,205,291	\$ 4,745,060	\$ 2,873,000	\$ 1,545,000	\$ 10,078,291	\$ 6,290,060
Revenue Bonds	-	-	15,545,774	16,255,738	15,545,774	16,255,738
Notes Payable	538,364	632,153	889,872	903,592	1,428,236	1,535,745
Total	<u>\$ 7,743,655</u>	<u>\$ 5,377,213</u>	<u>\$ 19,308,646</u>	<u>\$ 18,704,330</u>	<u>\$ 27,052,301</u>	<u>\$ 24,081,543</u>

**CITY OF WINDOM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

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

- The telecom fund is looking at new partnerships with other telecommunication providers which could provide additional revenue in order to generate a profit in this operation.
- The electric utility has reached a reserve of 100% of annual operating expenditures; however the water and wastewater funds have not fully funded reserves yet. In the future, utility rates could be adjusted to slow the growth in the reserve funds, or capital upgrades could be funded without debt. Additionally, prior electric transmission project investments through a partnership with CMMPA have been completed and are expected to return funds to the electric utility.
- The City of Windom continues to market developed lots in the NWIP.
- Unpredictable health care costs associated with compliance with Affordable Care Act could impact City budget in future years.
- Interest rates have remained low and the City's investment earnings have decreased accordingly.
- State budget problems could affect state aid payments. Lack of a state budget could adversely affect the City budget and operations needing communication with state agencies.

**REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF WINDOM, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	2013		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 5,123,686	\$ 6,475,369	\$ 11,599,055
Cash and Investments with Fiscal Agent	574,193	277,179	851,372
Restricted Cash and Investments	-	404,352	404,352
Taxes Receivable	63,398	-	63,398
Special Assessments Receivable	1,360,471	303,834	1,664,305
Accounts Receivable	290,069	1,358,754	1,648,823
Due from Other Governments	78,737	-	78,737
Internal Balances	(31,704)	31,704	-
Inventory	30,527	785,064	815,591
Prepaid Items	235,559	-	235,559
Loans Receivable	39,164	-	39,164
Land Held for Resale	1,062,043	-	1,062,043
Capital Assets:			
Land and Construction in Progress	1,633,352	237,730	1,871,082
Other Capital Assets, Net of Depreciation	14,299,696	23,109,074	37,408,770
<b>Total Assets</b>	<b>24,759,191</b>	<b>32,983,060</b>	<b>57,742,251</b>
<b>LIABILITIES</b>			
Accounts and Contracts Payable	91,876	643,083	734,959
Other Accrued Liabilities	343,968	177,057	521,025
Accrued Interest Payable	91,952	81,548	173,500
Salaries and Wages Payable	62,528	-	62,528
Unearned Revenue	-	270,835	270,835
Long-Term Liabilities:			
Due within One Year	478,155	1,104,926	1,583,081
Due in More than One Year	7,598,125	18,685,228	26,283,353
<b>Total Liabilities</b>	<b>8,666,604</b>	<b>20,962,677</b>	<b>29,629,281</b>
<b>Net Position</b>			
Net Investment in Capital Assets	10,233,282	4,887,627	15,120,909
Restricted for:			
Debt Service	1,831,659	-	1,831,659
Unrestricted	4,027,646	7,132,756	11,160,402
<b>Total Net Position</b>	<b>\$ 16,092,587</b>	<b>\$ 12,020,383</b>	<b>\$ 28,112,970</b>

See accompanying Notes to Financial Statements.

**CITY OF WINDOM, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	2013			
	Expenses	Fees, Charges, Fines and Other	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 734,298	\$ 144,357	\$ 17,261	\$ 25,797
Public Safety	1,510,606	532,483	104,725	-
Public Works	667,201	90,522	-	1,485,496
Culture and Recreation	483,184	104,773	12,491	-
Economic Development	639,543	66,485	479,465	161,500
Interest on Long-Term Debt	234,342	-	-	-
Total Governmental Activities	<u>4,269,174</u>	<u>938,620</u>	<u>613,942</u>	<u>1,672,793</u>
<b>Business-Type Activities:</b>				
Electric	5,417,401	5,813,867	-	-
Water	1,027,579	1,061,768	-	273,851
Sewer	1,223,441	1,233,527	-	136,275
Liquor	1,418,942	1,659,134	-	-
Telecom	2,777,166	2,656,719	-	-
Arena	340,352	138,359	-	-
Multi-Purpose Center	300,228	61,776	-	-
River Bluff Townhomes	82,187	90,628	-	-
Total Business-Type Activities	<u>12,587,296</u>	<u>12,715,778</u>	<u>-</u>	<u>410,126</u>
Total	<u>\$ 16,856,470</u>	<u>\$ 13,654,398</u>	<u>\$ 613,942</u>	<u>\$ 2,082,919</u>

**General Revenues:**

Taxes:  
    Property Taxes, Levied for General Purpose  
    Other Taxes  
Grants and Contributions not Restricted to Specific Programs  
Unrestricted Interest Income  
Unrestricted Investment Earnings (Loss)  
Loss on Sale of Land Held for Resale  
Transfers  
    Total General Revenues and Transfers  
Change in Net Position

Net Position - Beginning of Year  
Prior Period Adjustment  
**RESTATED Net Position - BEGINNING OF YEAR**

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.

2013

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (546,883)	\$ -	\$ (546,883)
(873,398)	-	(873,398)
908,817	-	908,817
(365,920)	-	(365,920)
67,907	-	67,907
(234,342)	-	(234,342)
(1,043,819)	-	(1,043,819)
-	396,466	396,466
-	308,040	308,040
-	146,361	146,361
-	240,192	240,192
-	(120,447)	(120,447)
-	(201,993)	(201,993)
-	(238,452)	(238,452)
-	8,441	8,441
-	538,608	538,608
(1,043,819)	538,608	(505,211)
1,510,745	419,095	1,929,840
22,387	-	22,387
1,202,917	39,936	1,242,853
13,505	18,874	32,379
(7,369)	(15,512)	(22,881)
(35,774)	-	(35,774)
443,514	(443,514)	-
3,149,925	18,879	3,168,804
2,106,106	557,487	2,663,593
11,904,956	11,753,356	23,658,312
2,081,525	(290,460)	1,791,065
13,986,481	11,462,896	25,449,377
\$ 16,092,587	\$ 12,020,383	\$ 28,112,970

**CITY OF WINDOM, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2013**

	General Fund	Economic Development Fund
<b>ASSETS</b>		
Cash and Investments	\$ 1,933,281	\$ 471,640
Property Taxes Receivable	63,398	-
Special Assessments Receivable:	711	-
Accounts Receivable	80,041	47,744
Accrued Interest Receivable	-	92,141
Due from Other Funds	327,626	-
Inventory	30,527	-
Prepaid Expenses	190,571	-
Loans Receivable, Net of Allowance	-	39,164
Land Held for Resale	-	1,062,043
	<b>\$ 2,626,155</b>	<b>\$ 1,712,732</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>		
<b>LIABILITIES</b>		
Accounts and Contracts Payable	\$ 35,963	\$ 47,075
Other Accrued Liabilities	30,026	221,541
Due to Other Funds	-	-
Interfund Advance Payable	-	31,704
Total Liabilities	65,989	300,320
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue	14,683	-
Total Deferred Outflows of Resources	14,683	-
<b>FUND BALANCES (DEFICITS)</b>		
Nonspendable	221,098	-
Restricted	69,597	311,205
Assigned	76,729	1,101,207
Unassigned	2,178,059	-
Total Fund Balances (Deficits)	2,545,483	1,412,412
Total Liabilities and Fund Balances	<b>\$ 2,626,155</b>	<b>\$ 1,712,732</b>

See accompanying Notes to Financial Statements.

2013 Street Capital Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 585,233	\$ 2,681,770	\$ 5,671,924
-		63,398
839,293	520,467	1,360,471
-	148,880	276,665
-	-	92,141
-	-	327,626
-	-	30,527
-	44,988	235,559
-	-	39,164
-	-	1,062,043
<u>\$ 1,424,526</u>	<u>\$ 3,396,105</u>	<u>\$ 9,159,518</u>

\$ -	\$ 8,433	\$ 91,471
124,793	4,586	380,946
-	327,626	327,626
-	-	31,704
<u>124,793</u>	<u>340,645</u>	<u>831,747</u>

<u>839,293</u>	<u>511,157</u>	<u>1,365,133</u>
<u>839,293</u>	<u>511,157</u>	<u>1,365,133</u>

	44,988	266,086
457,711	1,412,454	2,250,967
-	1,414,487	2,592,423
<u>2,729</u>	<u>(327,626)</u>	<u>1,853,162</u>
<u>460,440</u>	<u>2,544,303</u>	<u>6,962,638</u>
<u>\$ 1,424,526</u>	<u>\$ 3,396,105</u>	<u>\$ 9,159,518</u>

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**CITY OF WINDOM, MINNESOTA  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 GOVERNMENTAL ACTIVITIES  
 DECEMBER 31, 2013**

Total Fund Balance for Governmental Funds \$ 6,962,638

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	227,061
Construction in Progress	1,406,291
Buildings and Improvements	6,286,834
Machinery & Equipment	6,744,462
Infrastructure	16,398,617
Office Equipment and Furniture	55,622
Less: Accumulated Depreciation	(15,185,839)

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 deferred revenue in the governmental funds. 1,365,133

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. (91,952)

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

Bonds Payable	(7,205,291)
Unamortized Discounts and Premium and Bond Issuance Costs	(80,040)
Note Payable	(538,364)
Compensated Absences Payable	(252,585)
	(8,076,280)

Total Net Position of Governmental Activities \$ 16,092,587

*See accompanying Notes to the Financial Statements.*

**CITY OF WINDOM, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2013**

	General Fund	Economic Development Fund
	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>		
General Property Taxes	\$ 892,522	\$ 116,046
Tax Increments	-	268,298
Other Taxes	22,387	-
Licenses and Permits	115,682	-
Intergovernmental	1,700,267	479,640
Special Assessments	100	-
Charges for Services	243,705	-
Fines and Forfeits	24,090	-
Interest Income	4,051	2,012
Investment Earnings (Loss)	(4,717)	(138)
Refunds and Reimbursements	23,911	-
Grants and Contributions	18,878	136,325
Miscellaneous	2,755	91,485
Total Revenues	<u>3,043,631</u>	<u>1,093,668</u>
<b>EXPENDITURES</b>		
Current:		
General Government	374,976	-
Public Safety	1,027,179	-
Public Works	608,493	-
Sanitation	1,961	-
Culture and Recreation	466,971	-
Economic Development	-	602,357
Capital Outlay:		
General Government	32,395	-
Public Safety	77,821	-
Public Works	437,727	-
Culture and Recreation	39,053	-
Economic Development	-	1,406,801
Debt Service:		
Principal	70,765	23,025
Interest and Fiscal Charges	6,291	25,254
Total Expenditures	<u>3,143,632</u>	<u>2,057,437</u>
Revenue Over (Under) Expenditures	(100,001)	(963,769)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer In	445,000	180,000
Transfer Out	(20,000)	(30,005)
Bond Proceeds	-	190,000
Sale of Land Held for Resale	-	(35,774)
Payment of Refunded Bonds	-	-
Bond Premium	-	-
Total Other Financing Sources (Uses)	<u>425,000</u>	<u>304,221</u>
Net Change in Fund Balance	324,999	(659,548)
Fund Balance (Deficit) - Beginning of Year As Previously Stated	2,003,619	1,687,431
Prior Period Adjustment	216,865	384,529
Fund Balance (Deficit) - Beginning of Year As Retated	<u>2,220,484</u>	<u>2,071,960</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 2,545,483</u></u>	<u><u>\$ 1,412,412</u></u>

See accompanying Notes to the Financial Statements.



2013 Street Capital Project Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 236,221	\$ 1,244,789
-	-	268,298
-	-	22,387
-	-	115,682
-	170,793	2,350,700
320,633	-	320,733
-	465,406	709,111
-	-	24,090
469	6,973	13,505
-	(2,514)	(7,369)
-	-	23,911
-	-	155,203
-	-	94,240
<u>321,102</u>	<u>876,879</u>	<u>5,335,280</u>
-	-	374,976
-	290,410	1,317,589
400	3,474	612,367
-	-	1,961
-	-	466,971
-	-	602,357
-	-	32,395
-	4,599	82,420
2,423,756	2,334	2,863,817
-	-	39,053
-	-	1,406,801
-	349,768	443,558
70,869	139,890	242,304
<u>2,495,025</u>	<u>790,475</u>	<u>8,486,569</u>
(2,173,923)	86,404	(3,151,289)
-	68,519	693,519
-	(200,000)	(250,005)
2,590,000	425,000	3,205,000
-	-	(35,774)
-	(395,000)	(395,000)
83,498	-	83,498
<u>2,673,498</u>	<u>(101,481)</u>	<u>3,301,238</u>
499,575	(15,077)	149,949
(39,135)	2,559,380	6,211,295
-	-	601,394
<u>(39,135)</u>	<u>2,559,380</u>	<u>6,812,689</u>
<u>\$ 460,440</u>	<u>\$ 2,544,303</u>	<u>\$ 6,962,638</u>

**CITY OF WINDOM, MINNESOTA  
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

	2013
Net Change in Fund Balances-Total Governmental Funds	\$ 149,949
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital Outlays	4,551,275
Depreciation Expense	(748,653)
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond 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:</p>	
General Obligation Bond Proceeds	(3,205,000)
Payment of Refunded Bonds	395,000
Bond Discount/Premium	(83,498)
Repayment of Bond Principal and Note Payable	443,558
Change in Accrued Interest Expense for General Obligation Bonds	(18,751)
Amortization of Bond Discount/Premium	3,458
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.	632,261
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).	(13,493)
Change in Net Position of Governmental Activities	\$ 2,106,106

See accompanying Notes to the Financial Statements.

**CITY OF WINDOM, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
General Property Taxes	\$ 892,687	\$ 892,687	\$ 892,522	\$ (165)
Other Taxes	19,500	19,500	22,387	2,887
Licenses and Permits	45,820	45,820	115,682	69,862
Intergovernmental	1,313,317	1,313,317	1,700,267	386,950
Special Assessments	-	-	100	100
Charges for Services	238,900	238,900	243,705	4,805
Fines and Forfeits	29,500	29,500	24,090	(5,410)
Investment Earnings	260	260	(666)	(926)
Refunds/Reimbursements	-	-	23,911	23,911
Grants and Contributions	2,000	10,500	18,878	8,378
Miscellaneous	5,800	5,800	2,755	(3,045)
	<u>2,604,784</u>	<u>2,613,284</u>	<u>3,043,631</u>	<u>491,155</u>
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council:	78,210	78,210	101,477	(23,267)
Financial Administration	144,975	144,975	110,334	34,641
Legal	1,300	1,300	-	1,300
Building & Zoning	131,250	129,678	131,671	(1,993)
City Hall	34,130	34,130	31,494	2,636
Total General Government	<u>389,865</u>	<u>388,293</u>	<u>374,976</u>	<u>13,317</u>
Public Safety:				
Police Protection:	835,650	835,650	876,857	(41,207)
Fire Protection	141,475	137,597	138,455	(858)
Civil Defense	5,925	5,925	10,109	(4,184)
Animal Control	2,700	2,700	1,758	942
Total Public Safety	<u>985,750</u>	<u>981,872</u>	<u>1,027,179</u>	<u>(45,307)</u>
Public Works:				
Street Department	552,595	552,595	599,885	(47,290)
Sanitation	22,000	22,000	15,200	6,800
Airport	69,175	69,175	72,424	(3,249)
Total Public Works	<u>643,770</u>	<u>643,770</u>	<u>687,509</u>	<u>(43,739)</u>
Culture and Recreation:				
Parks	204,455	204,455	215,346	(10,891)
Library	172,100	172,100	167,017	5,083
Pool	85,150	85,150	84,609	541
Total Parks Department	<u>461,705</u>	<u>461,705</u>	<u>466,972</u>	<u>(5,267)</u>
Capital Outlay	256,529	256,529	586,996	(330,467)
Total Expenditures	<u>2,737,619</u>	<u>2,732,169</u>	<u>3,143,632</u>	<u>(411,463)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(132,835)	(118,885)	(100,001)	79,692
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	245,000	252,974	445,000	192,026
Transfer Out	-	(25,450)	(20,000)	5,450
Total Other Financing Sources (Uses)	<u>245,000</u>	<u>227,524</u>	<u>425,000</u>	<u>197,476</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 112,165</u>	<u>\$ 108,639</u>	<u>324,999</u>	<u>\$ 277,168</u>
Fund Balance - Beginning of Year As Previously Reported			2,003,619	
Prior Period Adjustment			<u>216,865</u>	
Fund Balance - Beginning of Year As Previously Reported			2,220,484	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,545,483</u>	

See accompanying Notes to the Financial Statements.

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2013**

<b>ASSETS</b>	<u>Electric</u>	<u>Water</u>	<u>Liquor</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 3,790,040	\$ 795,279	\$ 755,183
Cash and Investments with Fiscal Agent	-	147,907	-
Restricted Cash and Investments	-	-	-
Accounts Receivable, Net of Allowance	622,078	89,143	13,627
Special Assessments Receivable:		208,067	
Due from Other Funds	1,509,363	-	-
Interfund Advance	31,704	-	-
Inventory	549,382	28,672	157,575
Total Current Assets	<u>6,502,567</u>	<u>1,269,068</u>	<u>926,385</u>
<b>LONG-TERM ASSETS</b>			
Capital Assets:			
Land, Buildings, Infrastructure and Improvements	8,592,986	7,313,232	362,785
Equipment	2,587,750	2,852,919	50,943
Construction in Progress	-	-	-
Total Capital Assets	<u>11,180,736</u>	<u>10,166,151</u>	<u>413,728</u>
Less: Allowance for Depreciation	<u>(7,437,285)</u>	<u>(5,014,408)</u>	<u>(299,246)</u>
Total Net Capital Assets	<u>3,743,451</u>	<u>5,151,743</u>	<u>114,482</u>
 Total Long-Term Assets	 <u>3,743,451</u>	 <u>5,151,743</u>	 <u>114,482</u>
 Total Assets	 <u>10,246,018</u>	 <u>6,420,811</u>	 <u>1,040,867</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and Contracts Payable	361,907	37,446	88,288
Accrued Expenses	28,492	52,105	3,688
Due to Other Funds	-	-	-
Accrued Interest	-	32,769	-
Unearned Revenue	92,206	-	-
Bonds Payable - Current Portion	-	378,100	-
Total Current Liabilities	<u>482,605</u>	<u>500,420</u>	<u>91,976</u>
<b>LONG-TERM LIABILITIES</b>			
Compensated Absences - Long-Term	103,224	35,270	24,102
Bonds Payable - Long-Term	-	2,772,362	-
Total Long-Term Liabilities	<u>103,224</u>	<u>2,807,632</u>	<u>24,102</u>
 Total Liabilities	 <u>585,829</u>	 <u>3,308,052</u>	 <u>116,078</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,743,451	2,517,377	114,482
Unrestricted	5,916,738	595,382	810,307
Total Net Position	<u>\$ 9,660,189</u>	<u>\$ 3,112,759</u>	<u>\$ 924,789</u>

See accompanying Notes to the Financial Statements.

Sewer	Telecom	Other Proprietary Funds	Total
\$ 880,630	\$ -	\$ 254,237	\$ 6,475,369
129,272	-	-	277,179
-	404,352	-	404,352
205,364	427,592	950	1,358,754
95,767	-	-	303,834
-	-	-	1,509,363
-	-	-	31,704
-	49,435	-	785,064
<u>1,311,033</u>	<u>881,379</u>	<u>255,187</u>	<u>11,145,619</u>
11,119,743	4,774,284	3,941,277	36,104,307
1,456,293	5,550,667	684,246	13,182,818
-	67,810	-	67,810
<u>12,576,036</u>	<u>10,392,761</u>	<u>4,625,523</u>	<u>49,354,935</u>
<u>(4,477,960)</u>	<u>(6,255,249)</u>	<u>(2,523,983)</u>	<u>(26,008,131)</u>
<u>8,098,076</u>	<u>4,137,512</u>	<u>2,101,540</u>	<u>23,346,804</u>
<u>8,098,076</u>	<u>4,137,512</u>	<u>2,101,540</u>	<u>23,346,804</u>
9,409,109	5,018,891	2,356,727	34,492,423
13,794	131,829	9,819	643,083
46,252	40,151	6,369	177,057
-	1,509,363	-	1,509,363
48,538	-	241	81,548
-	173,429	5,200	270,835
<u>274,274</u>	<u>435,000</u>	<u>17,552</u>	<u>1,104,926</u>
<u>382,858</u>	<u>2,289,772</u>	<u>39,181</u>	<u>3,786,812</u>
61,849	99,461	73,447	397,353
<u>4,131,913</u>	<u>10,511,280</u>	<u>872,320</u>	<u>18,287,875</u>
<u>4,193,762</u>	<u>10,610,741</u>	<u>945,767</u>	<u>18,685,228</u>
4,576,620	12,900,513	984,948	22,472,040
4,109,417	(6,808,768)	1,211,668	4,887,627
723,072	(1,072,854)	160,111	7,132,756
<u>\$ 4,832,489</u>	<u>\$ (7,881,622)</u>	<u>\$ 1,371,779</u>	<u>\$ 12,020,383</u>

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 YEAR ENDED DECEMBER 31, 2013**

	Electric	Water	Liquor
<b>OPERATING REVENUES</b>			
Sales	\$ -	\$ -	\$ 1,659,134
Costs of Goods Sold	-	-	(1,145,844)
Charges for Services	5,813,867	1,055,246	-
Charges for Materials and Labor	-	6,522	-
Facility Use/Other Revenue	-	-	-
Total Gross Profit and Operating Revenues	5,813,867	1,061,768	513,290
<b>OPERATING EXPENSES</b>			
Cost of Power	4,085,932	-	-
Personal Services	467,920	277,559	181,156
Supplies, Services, Rent and Maintenance	432,495	335,477	77,704
Depreciation and Amortization	431,054	302,599	14,238
Other Operating Expense	-	12,881	-
Total Operating Expenses	5,417,401	928,516	273,098
<b>OPERATING INCOME (LOSS)</b>	396,466	133,252	240,192
<b>OTHER INCOME (EXPENSES)</b>			
Interest Income	15,077	884	591
Investment Earnings (Loss)	(11,513)	(851)	(1,135)
Interest Expense	-	(99,063)	-
Taxes and Special Assessments	-	273,851	-
Contributions and Reimbursements	32,790	2,321	-
Total Other Income (Expense)	36,354	177,142	(544)
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	432,820	310,394	239,648
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Transfers In	-	-	-
Transfers Out	(175,000)	(118,102)	(70,000)
Total Contributions and Transfers	(175,000)	(118,102)	(70,000)
<b>CHANGE IN NET POSITION</b>	257,820	192,292	169,648
Net Position - Beginning of Year, As Previously Stated	9,402,369	2,936,048	755,141
Prior Period Adjustment	-	(15,581)	-
Net Position - Beginning of Year, As Restated	9,402,369	2,920,467	755,141
<b>NET POSITION - END OF YEAR</b>	\$ 9,660,189	\$ 3,112,759	\$ 924,789

See accompanying Notes to Financial Statements.

Sewer	Telecom	Other Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ 1,659,134
-	-	-	(1,145,844)
1,233,527	2,656,719	-	10,759,359
-	-	-	6,522
-	-	290,763	290,763
<u>1,233,527</u>	<u>2,656,719</u>	<u>290,763</u>	<u>11,569,934</u>
-	-	-	4,085,932
317,280	549,922	327,955	2,121,792
417,204	1,110,536	260,751	2,634,167
333,308	747,446	122,783	1,951,428
-	3,872	-	16,753
<u>1,067,792</u>	<u>2,411,776</u>	<u>711,489</u>	<u>10,810,072</u>
165,735	244,943	(420,726)	759,862
1,196	933	193	18,874
(1,192)	(590)	(231)	(15,512)
(155,649)	(365,390)	(11,278)	(631,380)
136,275	-	419,095	829,221
-	4,825	-	39,936
<u>(19,370)</u>	<u>(360,222)</u>	<u>407,779</u>	<u>241,139</u>
146,365	(115,279)	(12,947)	1,001,001
-	-	20,000	20,000
(100,412)	-	-	(463,514)
<u>(100,412)</u>	<u>-</u>	<u>20,000</u>	<u>(443,514)</u>
45,953	(115,279)	7,053	557,487
4,792,969	(7,442,530)	1,309,359	11,753,356
(6,433)	(323,813)	55,367	(290,460)
<u>4,786,536</u>	<u>(7,766,343)</u>	<u>1,364,726</u>	<u>11,462,896</u>
<u>\$ 4,832,489</u>	<u>\$ (7,881,622)</u>	<u>\$ 1,371,779</u>	<u>\$ 12,020,383</u>

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2013**

	Electric	Water	Liquor
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers and Service Users	\$ 5,752,701	\$ 875,816	\$ 1,654,720
Cash Paid to Suppliers	(4,462,411)	(285,325)	(1,232,074)
Cash Paid to Employees	(471,140)	(282,522)	(225,459)
Net Cash Provided (Used) by Operating Activities	819,150	307,969	197,187
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers (In) Out	(175,000)	(118,102)	(70,000)
Interfund Advance	9,526	-	-
Due to Other Funds	(1,509,363)	-	-
Property Tax Revenues	-	273,851	-
Payments from Escrow Account	-	609,301	-
Intergovernmental Revenues	32,790	2,321	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,642,047)	767,371	(70,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Bonds	-	970,000	-
Proceeds from Bond Premiums	-	37,802	-
Acquisition and Construction of Capital Assets	(530,588)	(1,055,005)	(1,432)
Interest Paid on Revenue Bonds	-	(93,886)	-
Principal Payments on Bonds and Notes	-	(565,432)	-
Net Cash Used by Capital and Related Financing Activities	(530,588)	(706,521)	(1,432)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income (Loss)	3,564	33	(544)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,349,921)	368,852	125,211
Cash and Cash Equivalents - Beginning of Year	5,139,961	426,427	629,972
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,790,040	\$ 795,279	\$ 755,183

See accompanying Notes to Financial Statements.



Sewer	Telecom	Other Proprietary Funds	Total
\$ 1,175,520	\$ 2,763,528	\$ 290,133	\$ 12,512,418
(424,186)	(1,076,599)	(257,338)	(7,737,933)
<u>(270,616)</u>	<u>(502,936)</u>	<u>(319,934)</u>	<u>(2,072,607)</u>
480,718	1,183,993	(287,139)	2,701,878
(100,412)	-	20,000	(443,514)
-	-	-	9,526
-	(350,458)	-	(1,859,821)
40,508	-	419,095	733,454
773,544	(344)	-	1,382,501
-	4,825	-	39,936
<u>713,640</u>	<u>(345,977)</u>	<u>439,095</u>	<u>(137,918)</u>
840,000	-	-	1,810,000
62,894	-	-	100,696
(1,002,734)	(221,003)	(29,321)	(2,840,083)
(154,520)	(397,356)	(8,532)	(654,294)
<u>(406,532)</u>	<u>(220,000)</u>	<u>(16,225)</u>	<u>(1,208,189)</u>
(660,892)	(838,359)	(54,078)	(2,791,870)
<u>4</u>	<u>343</u>	<u>(38)</u>	<u>3,362</u>
533,470	-	97,840	(224,548)
<u>347,160</u>	<u>-</u>	<u>156,397</u>	<u>6,699,917</u>
<u>\$ 880,630</u>	<u>\$ -</u>	<u>\$ 254,237</u>	<u>\$ 6,475,369</u>

**CITY OF WINDOM, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2013**

<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	Electric	Water	Liquor
Operating Income (Loss)	\$ 396,466	\$ 133,252	\$ 240,192
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	431,054	302,599	14,238
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(46,012)	(185,952)	(4,414)
(Increase) Decrease in Inventory	25,279	(1,014)	(32,171)
Increase (Decrease) in Accounts and Contracts Payable	30,737	11,942	23,645
Increase (Decrease) in Accrued Expenses	28,492	52,105	3,688
Increase (Decrease) in Due to Other Governments	-	-	-
Increase in Deferred Revenue	(15,154)	-	-
Increase (Decrease) in Accrued Compensated Absences	(31,712)	(4,963)	(47,991)
Net Cash Provided (Used) by Operating Activities	\$ 819,150	\$ 307,969	\$ 197,187

*See accompanying Notes to the Financial Statements.*

<u>Sewer</u>	<u>Telecom</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
\$ 165,735	\$ 244,943	\$ (420,726)	\$ 759,862
333,308	747,446	122,783	1,951,428
(58,007)	110,441	(630)	(184,574)
-	-	-	(7,906)
(6,982)	19,607	3,413	82,362
46,252	18,202	6,369	155,108
-	40,151	-	40,151
-	(3,632)	-	(18,786)
412	6,835	1,652	(75,767)
<u>\$ 480,718</u>	<u>\$ 1,183,993</u>	<u>\$ (287,139)</u>	<u>\$ 2,701,878</u>

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## **NOTES TO FINANCIAL STATEMENTS**

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**CITY OF WINDOM, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

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.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

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

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource 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.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

B. Basic Financial Statements (Continued)

**1. Government-Wide Statements (Continued)**

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

**2. Fund Financial Statements**

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

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

The City reports the following major governmental funds:

General Fund

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

Economic Development Fund

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

2013 Street Capital Project Fund

The 2013 Street Capital Project Fund accounts for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds). Revenues for the 2013 Street Capital Project Fund are generated primarily from bond proceeds and special assessments.



**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

B. Basic Financial Statements (Continued)

**2. Fund Financial Statements (Continued)**

The City reports the following major proprietary funds:

Electric Fund

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

Water Fund

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

Liquor Fund

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

Sewer Fund

The Sewer Fund accounts for customer sewer service charges that are used to finance sewer 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.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriation budgets are adopted in the General Fund. Budgeted amounts are reported as originally adopted, or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

D. Budgets (Continued)

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

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with GAAP. Budgeted amounts presented are as originally adopted, and final as amended.

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

**1. Cash and Investments**

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

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

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

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

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

**2. Cash and Investments Held by Trustee**

At December 31, 2013, cash and investments held by trustee consisted of US Treasury time deposits held by US Bank for the purpose of refunding the General Obligation Improvement Bonds, Series 2007B maturing in the years of 2016 through 2023 (See Note 4). These assets are sufficient to meet the debt service on the General Obligation Refunding Bonds, Series 2012A through the February 1, 2015 call date on the General Obligation Improvement Bonds, Series 2007B.

**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.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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)**

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

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

**5. 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.

**6. Inventories**

Inventories are valued at cost, which approximates fair value, using the first-in/first out method.

**7. Prepaid Expenditures**

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

**8. 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 sheets.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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)

**9. 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.

**10. Capital Assets**

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated fair 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 uses 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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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 vary from 3 years for Computer Equipment; 5 to 15 years for Office Furnishings, Machinery, and Equipment; 20 to 50 years for Buildings and Other Improvements and Infrastructure. Capital assets not being depreciated include land and construction in progress.

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

**11. Compensated Absences**

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

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

**12. Long-Term Obligations**

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

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as 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.

**13. Deferred Outflows of Resources**

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflows of resources, if any. This separate financial statement element reflects a decrease in net position or fund balance, that relate to future periods. The City will not recognize the related outflow until a future event occurs.

**14. Deferred Inflows of Resources**

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The 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 city does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

**15. 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 statements of net position and statements of activities.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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)

**16. 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.

**17. Net Position**

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

**18. Fund Balance**

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

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

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

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

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



**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

**18. Fund Balance (Continued)**

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

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

**NOTE 2 DEPOSITS AND INVESTMENTS**

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, 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*.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments

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

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

As of December 31, 2013, the City had the following investments:

**External Investment Pools –**

	<u>Amortized Cost</u>
Minnesota Municipal Money Market Fund	\$2,566,183

The Minnesota Municipal Money Market Fund (4M) is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2a-7. The fair value of the presentation in the pool is the same as the value of the pool shares.

**Other Investments –**

	<u>Fair Value</u>
US Treasury State & Local Government Time Deposits	\$851,368

The US Treasury State & Local Government Time Deposits are held by US Bank, as the escrow agent, in accordance with escrow agreements established for the crossover refunding bonds issued.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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. The US Treasury State & Local Government Time Deposits mature in increments over the next two years, in accordance with the timing of required payments of debt service.

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Negotiable Certificates of Deposit:	\$ 8,635,094	\$ 2,878,717	\$ 4,901,100	\$ 855,277

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

**Concentration of Credit Risk** – The City’s investment policy places no limit on the amount that may be invested with any one issuer or depository.

**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.

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

Cash	\$ 802,134
Money Market Accounts	2,566,183
Negotiable Certificates of Deposits	8,635,094
Investments	<u>851,368</u>
Total Cash and Investments	<u><u>\$ 12,854,779</u></u>
Cash and Investments	\$ 11,599,055
Cash and Investments with Fiscal Agent	851,372
Restricted Cash and Investments	404,352
Total Cash and Investments	<u><u>\$ 12,854,779</u></u>

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance (as Restated)	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 227,061	\$ -	\$ -	\$ 227,061
Construction in Progress	-	1,406,291	-	1,406,291
Total Capital Assets, Not Being Depreciated	<u>227,061</u>	<u>1,406,291</u>	<u>-</u>	<u>1,633,352</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	5,813,144	473,690	-	6,286,834
Office Equipment and Furniture	34,629	20,993	-	55,622
Machinery and Equipment	6,604,491	139,971	-	6,744,462
Infrastructure	<u>13,888,287</u>	<u>2,510,330</u>	<u>-</u>	<u>16,398,617</u>
Total Capital Assets, Being Depreciated	<u>26,340,551</u>	<u>3,144,984</u>	<u>-</u>	<u>29,485,535</u>
Accumulated Depreciation for:				
Buildings and Building Improvements	(1,359,955)	(213,149)	-	(1,573,104)
Office Equipment and Furniture	(6,372)	(5,047)	-	(11,419)
Machinery and Equipment	(5,747,226)	(188,527)	-	(5,935,753)
Infrastructure	<u>(7,323,633)</u>	<u>(341,930)</u>	<u>-</u>	<u>(7,665,563)</u>
Total Accumulated Depreciation	<u>(14,437,186)</u>	<u>(748,653)</u>	<u>-</u>	<u>(15,185,839)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,903,365</u>	<u>2,396,331</u>	<u>-</u>	<u>14,299,696</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,130,426</u>	<u>\$ 3,802,622</u>	<u>\$ -</u>	<u>\$ 15,933,048</u>

Depreciation expense was charged to Governmental Functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 350,880
Public Safety	174,158
Public Works	201,534
Parks, Culture and Recreation	11,244
Community Development	<u>10,837</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 748,653</u>

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 169,920	\$ -	\$ -	\$ 169,920
Construction in Progress	-	67,810	-	67,810
Total Capital Assets, Not Being Depreciated	<u>169,920</u>	<u>67,810</u>	<u>-</u>	<u>237,730</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	34,818,842	2,133,366	-	36,952,208
Office Equipment and Furniture	433,267	55,785	-	489,052
Machinery and Shop Equipment	11,092,823	583,122	-	11,675,945
Total Capital Assets, Being Depreciated	<u>46,344,932</u>	<u>2,772,273</u>	<u>-</u>	<u>49,117,205</u>
Accumulated Depreciation for:				
Buildings and Building Improvements	(15,436,828)	(1,209,258)	-	(16,646,086)
Office Equipment and Furniture	(375,601)	(8,846)	-	(384,447)
Machinery and Shop Equipment	(8,244,274)	(733,324)	-	(8,977,598)
Total Accumulated Depreciation	<u>(24,056,703)</u>	<u>(1,951,428)</u>	<u>-</u>	<u>(26,008,131)</u>
Total Capital Assets, Being Depreciated, Net	<u>22,288,229</u>	<u>820,845</u>	<u>-</u>	<u>23,109,074</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,458,149</u>	<u>\$ 888,655</u>	<u>\$ -</u>	<u>\$ 23,346,804</u>

Depreciation expense was charged to Business-Type Activities as follows:

<b>Business-Type Activities:</b>	
Electric Fund	\$ 431,054
Water Fund	302,599
Liquor Fund	14,238
Sewer Fund	333,308
Telecom Fund	747,446
Arena Fund	31,358
Multi-Purpose Fund	63,343
River Bluff Townhomes	<u>28,082</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,951,428</u>

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 4 CITY INDEBTEDNESS**

City indebtedness at December 31, 2013 is composed of the following:

Description	Initial Amount Issued	Maturity Date	Interest Rate	Outstanding Principal
<b>General Obligation Bonds:</b>				
Governmental Activities:				
GO Improvement Bonds of 1994	\$ 352,380	2014	2.44%	\$ 8,291
GO Improvement Refunding Bonds, Series 2006A	713,000	2018	3.70-4.15%	352,000
GO Improvement Bonds, Series 2007B	970,000	2023	3.75-4.30%	705,000
GO Improvement Bonds, Series 2009A	1,510,000	2025	2.00-4.25%	1,265,000
GO Improvement Refunding Bonds, Series 2011B	795,000	2019	0.50-1.85%	690,000
GO Refunding Bonds, Series 2012A	980,000	2023	0.55-2.20%	980,000
GO Improvement Bonds, Series 2013A	2,590,000	2034	2.00-3.50%	2,590,000
GO Equipment Bonds, Series 2013B	615,000	2023	0.70-1.90%	615,000
Total Governmental Activities - G.O. Bonds	8,525,380			7,205,291
Business-Type Activities:				
GO Improvement & Refunding Bonds, Series 2006A	227,000	2016	3.75-4.05%	103,000
GO Temporary Equipment Certificates, Series 2007B	410,000	2023	3.75-4.30%	300,000
GO Refunding Bonds, Series 2012A	660,000	2023	0.55-2.20%	660,000
GO Improvement Bonds, Series 2013A	1,810,000	2034	2.00-3.50%	1,810,000
Total Business-Type Activities - G.O. Bonds	3,107,000			2,873,000
Total General Obligation Bonds	\$ 11,632,380			\$ 10,078,291

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
<b>Note Payable:</b>				
Governmental Activities:				
Street Shop - League of Minnesota Cities	\$ 250,000	2016	3.00%	\$ 154,410
Economic Development - Fulda Area Credit Union	442,098	2016	4.40%	383,954
Total Notes Payable	692,098			538,364
Business-Type Activities:				
River Bluff Townhomes - Bank of the West	488,847	2031	2.01%	379,429
River Bluff Townhomes - MHFA	353,305	2031	0.00%	353,305
River Bluff Townhomes - GMHF	180,000	2031	0.00%	127,138
River Bluff Townhomes - PM Windom	15,000	2015	0.00%	15,000
River Bluff Townhomes - Toro Foundation	15,000	2015	0.00%	15,000
	<u>1,052,152</u>			<u>889,872</u>
Total Note Payable	<u>\$ 1,744,250</u>			<u>\$ 1,428,236</u>
<b>General Obligation Revenue Bonds:</b>				
Business-Type Activities:				
Communication System Refunding Bonds, Series 2012B	\$ 11,205,000	2032	3.00-3.63%	\$ 10,985,000
GO Water & Sewer Revenue Bonds, 2011A - Water	3,090,000	2029	1.00-4.00%	3,090,000
GO Sewer Revenue Bonds, 1994	3,886,970	2015	2.71%	489,334
GO Revenue Bonds, 1999	3,151,838	2018	2.57%	504,440
GO Water Revenue Bonds, 1999	1,319,714	2019	2.29%	477,000
Total Business-Type Activities Revenue Bonds	<u>\$ 22,653,522</u>			<u>\$ 15,545,774</u>

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2013:

	Beginning of Year (as Restated)	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 4,745,060	\$ 3,205,000	\$ 744,769	\$ 7,205,291	\$ 404,291
Bond Subtotal	4,745,060	3,205,000	744,769	7,205,291	404,291
Bond Premium	-	83,498	3,458	80,040	-
Net Bond Subtotal	4,745,060	3,288,498	748,227	7,285,331	404,291
Note Payable	632,153	-	93,789	538,364	73,864
Compensated Absences	239,092	40,818	27,325	252,585	-
Total Governmental Activities	5,616,305	3,329,316	869,341	8,076,280	478,155
<b>Business-Type Activities:</b>					
General Obligation Bonds	1,545,000	1,810,000	482,000	2,873,000	149,000
General Obligation Revenue Bonds	16,255,738	-	709,964	15,545,774	938,374
Bond Subtotal	17,800,738	1,810,000	1,191,964	18,418,774	1,087,374
Bond Premium	28,687	100,696	6,508	122,875	-
Bond Discount	(40,584)	-	(1,864)	(38,720)	-
Net Bond Subtotal	17,788,841	1,910,696	1,196,608	18,502,929	1,087,374
Notes Payable	903,592	-	13,720	889,872	17,552
Compensated Absences	473,120	-	75,767	397,353	-
Total Business-Type Activities	19,165,553	1,910,696	1,286,095	19,790,154	1,104,926
<b>Total Debt</b>	<b>\$ 24,781,858</b>	<b>\$ 5,240,012</b>	<b>\$ 2,155,436</b>	<b>\$ 27,866,434</b>	<b>\$ 1,583,081</b>



**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

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

Years	Governmental Activities		
	Long-Term Debt		Totals
	Principal	Interest	
2014	\$ 478,155	\$ 208,130	\$ 686,285
2015	667,432	183,733	851,165
2016	1,073,068	159,362	1,232,430
2017	640,000	137,753	777,753
2018	640,000	123,608	763,608
2019-2023	2,625,000	410,839	3,035,839
2024-2028	1,035,000	150,350	1,185,350
2029-2033	495,000	49,719	544,719
2034	90,000	1,575	91,575
<b>Totals</b>	<b>\$ 7,743,655</b>	<b>\$ 1,425,069</b>	<b>\$ 9,168,724</b>

Years	Business-Type Activities		
	Long-Term Debt		Totals
	Principal	Interest	
2014	\$ 1,104,926	\$ 551,579	\$ 1,656,505
2015	1,202,694	514,133	1,716,827
2016	1,018,533	483,462	1,501,995
2017	983,461	458,089	1,441,550
2018	975,836	434,761	1,410,597
2019-2023	4,814,067	1,805,019	6,619,086
2024-2028	4,875,582	1,099,222	5,974,804
2028-2032	4,218,547	284,658	4,503,205
2033	115,000	2,013	117,013
<b>Totals</b>	<b>\$ 19,308,646</b>	<b>\$ 5,632,936</b>	<b>\$ 24,941,582</b>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2013, including interest of \$7,058,005 are as follows:

Year	Amount
2013	\$ 2,342,790
2014	2,567,992
2015	2,734,425
2016	2,219,303
2017	2,174,205
2018-2022	9,654,925
2023-2027	7,160,154
2028-2032	5,047,924
2033	208,588
<b>Total</b>	<b>\$ 34,110,306</b>

**CITY OF WINDOM, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

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

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

In 2012, the City issued \$1,640,000 in General Obligation Refunding Bonds (Series 2012A) for a crossover refunding of the Series 2005A General Obligation Bonds maturing in 2014 through 2021 and of the Series 2007B General Obligation Improvement Bonds maturing in 2016 through 2023. Refunding bond proceeds for the crossover refunding of Series 2005A were placed in an escrow account to be liquidated on the crossover refunding date of February 1, 2013. The total cash flow savings to the City attributable to the refunding of these bonds is \$59,001 with a net present value of approximately \$54,068. Refunding bond proceeds for the crossover refunding of Series 2007B were placed in an escrow account to be liquidated on the crossover refunding date of February 1, 2015.

As of December 31, 2013, the City had funds held with an escrow agent for the repayment of 2007B General Obligation Improvement Bonds, with an outstanding balance of \$1,005,000. The fair value of funds held with escrow at December 31, 2013 was \$851,372.

**NOTE 5 PENSION PLANS - STATEWIDE**

A. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the City of Windom are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employee Police and Fire Fund, (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapter 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The retirement 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.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 5 PENSION PLANS – STATEWIDE (CONTINUED)**

1. Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. The annuity accrual rate is 1.9% for each year of service for PECF members. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a life time annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the web at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)**

2. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. The City of Windom is required to contribute the following percentages of annual covered payroll: 11.78% for GERS Basic Plan members, 7.25% for GERS Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2013, 2012 and 2011 were \$165,817, \$168,736, and \$165,319, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ended December 31, 2013, 2012 and 2011 were \$67,428, \$62,695, and \$64,285, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Pension Plan

1. Plan Description

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

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

Total contributions made by the City of Windom during fiscal year 2013 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 6,564	\$ 6,564	5.1%	5.1%	5.1%

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 6 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds:

	<b>Budget</b>	<b>Actual</b>
General Fund	\$ 2,732,169	\$ 3,143,632
Special Revenue Funds:		
Economic Development Fund	572,275	2,057,437

Expenditures exceeded budget because capital outlay was in excess of budget in the General Fund and not budgeted in the Economic Development Fund.

**B. Deficit Fund Balances/Net Position**

The City has deficit fund balances/net position at December 31, 2013 as follows:

Governmental Funds:	
4th Ave Improvement Bond Fund	\$ (87,045)
2006A Refunding Bond Fund	(240,581)
Proprietary Funds:	
Telecom	(7,881,622)
River Bluff Townhomes	(122,275)

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

**NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**A. Due To/From Other Funds**

Individual fund receivable and payable balances at December 31, 2013 are as follows:

Fund	Due from Other Funds	Due to Other Funds	Description
General Fund	\$ 327,626	\$ -	Eliminate Deficit Cash
Other Governmental Funds	-	327,626	Eliminate Deficit Cash
Proprietary Funds:			
Electric Fund	1,509,363	-	Eliminate Deficit Cash
Telecom Fund	-	1,509,363	Eliminate Deficit Cash
Total Due To/From	\$ 1,836,989	\$ 1,836,989	

All of the Due From/Due to Other Funds balances are expected to be repaid in the following year.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

B. Advances To/From Other Funds

Fund	Advances To Other Funds	Advances From Other Funds
Economic Development Fund	\$ -	\$ 31,704
Proprietary Funds:		
Electric Fund	31,704	-
Total Advances	\$ 31,704	\$ 31,704

The advance in the amount of \$31,704 represents expenses to make improvements to the spec building incurred by the Economic Development Fund payable to the Electric Fund.

C. Transfers

Transfers between funds during 2013 are as follows:

	Transfer In	Transfer Out
<b>Major Governmental Funds</b>		
General Fund	\$ 445,000	\$ 20,000
Economic Development Fund	180,000	30,005
2013 Street Capital Project Fund		
<b>Nonmajor Governmental Funds</b>		
Special Revenue Funds:		
Ambulance Fund	-	-
Debt Service Funds:		
GO Special Assessment Bond	-	200,000
2006A Refunding Bond Fund	30,005	
2009 Street Improvement Bond Fund	38,514	
<b>Major Enterprise Funds</b>		
Water Utility		118,101
Sewer Utility		100,413
Electric Utility		175,000
Liquor		70,000
Telecom Fund		
<b>Nonmajor Enterprise Funds</b>	-	-
Arena	20,000	-
Total	\$ 713,519	\$ 713,519

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 9 RISK MANAGEMENT**

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

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

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

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

**NOTE 10 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.

**CITY OF WINDOM, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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 to Exhibit A, 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.

**NOTE 11 PRIOR PERIOD ADJUSTMENT**

The implementation of GASB No. 65, *Items Previously Reported as Assets and Liabilities*, has resulted in the elimination of bond issuance costs that were carried on the Statement of Net Position. Additionally, accrued interest payable on governmental activity debt was not recorded at December 31, 2012. City street for governmental activities was not recorded as infrastructure assets at December 31, 2012. As a result, January 1, 2013 net position is being restated. Long-term debt was carried on the governmental fund financial statements prior to January 1, 2013. Fund balance has been restated to remove the long-term debt from the governmental fund balance sheet. Previously recorded land held for resale did not exist and was removed from the Economic Development Fund governmental fund balance sheet at January 1, 2013. Interest was imputed, and the related debt balance adjusted at January 1, 2013 in the River Bluff Townhomes Fund. The impact of these restatements are as follows:

	As Previously Reported	Restatement	As Restated
Governmental Funds:			
General Fund	\$ 2,003,619	\$ 216,865	\$ 2,220,484
Economic Development Fund	1,687,431	384,529	2,071,960
Total Governmental Funds	<u>\$ 3,691,050</u>	<u>\$ 601,394</u>	<u>\$ 4,292,444</u>
Proprietary Funds:			
Water Utility	\$ 2,936,048	\$ (15,581)	\$ 2,920,467
Sewer Utility	4,792,696	(6,433)	4,786,263
Telecom	(7,442,530)	(323,813)	(7,766,343)
River Bluff Townhomes	(186,083)	55,367	(130,716)
	<u>\$ 100,131</u>	<u>\$ (290,460)</u>	<u>\$ (190,329)</u>
Business-Type Activities	<u>\$ 11,753,356</u>	<u>\$ (290,460)</u>	<u>\$ 11,462,896</u>
Governmental Activities	<u>\$ 11,904,956</u>	<u>\$ 2,081,525</u>	<u>\$ 13,986,481</u>



## **SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL NONMAJOR FUND  
FINANCIAL STATEMENTS**

**CITY OF WINDOM, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2013**

	Special Revenue Fund	Debt Service Funds	
	Ambulance Fund	4th Ave Improvement Bond Fund	2006 A Refunding Bond Fund
<b>ASSETS</b>			
Cash and Investments	\$ 1,278,626	\$ -	\$ -
Accounts Receivable	148,880	-	-
Special assessments receivable	-	32,683	79,722
Prepaid Items	44,988	-	-
Total Assets	\$ 1,472,494	\$ 32,683	\$ 79,722
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts and Contracts Payable	\$ 8,433	\$ -	\$ -
Other Accrued Liabilities	4,586	-	-
Due to Other Funds	-	87,045	240,581
Total Liabilities	13,019	87,045	240,581
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	32,683	79,722
Total Deferred Outflows of Resources	-	32,683	79,722
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable	44,988	-	-
Restricted	-	-	-
Assigned	1,414,487	-	-
Unassigned	-	(87,045)	(240,581)
Total Fund Balance (Deficit)	1,459,475	(87,045)	(240,581)
Total Liabilities and Fund Balance (Deficit)	\$ 1,472,494	\$ 32,683	\$ 79,722

Debt Service Funds

2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	2013 Total
\$ 473,486	\$ 187,848	\$ 629,388	\$ 112,422	\$ 2,681,770
-	-	-	-	148,880
132,122	187,248	63,437	25,255	520,467
-	-	-	-	44,988
<u>\$ 605,608</u>	<u>\$ 375,096</u>	<u>\$ 692,825</u>	<u>\$ 137,677</u>	<u>\$ 3,396,105</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,433
-	-	-	-	4,586
-	-	-	-	327,626
-	-	-	-	340,645
132,122	187,248	54,127	25,255	511,157
<u>132,122</u>	<u>187,248</u>	<u>54,127</u>	<u>25,255</u>	<u>511,157</u>
-	-	-	-	44,988
473,486	187,848	638,698	112,422	1,412,454
-	-	-	-	1,414,487
-	-	-	-	(327,626)
<u>473,486</u>	<u>187,848</u>	<u>638,698</u>	<u>112,422</u>	<u>2,544,303</u>
<u>\$ 605,608</u>	<u>\$ 375,096</u>	<u>\$ 692,825</u>	<u>\$ 137,677</u>	<u>\$ 3,396,105</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Fund	Debt Service Funds	
	Ambulance Fund	4th Ave Improvement Bond Fund	2006 A Refunding Bond Fund
<b>REVENUE</b>			
General Property Taxes	\$ -	\$ 45,300	\$ 18,615
Intergovernmental			
Special assessments	-	11,475	51,198
Charges for Services	465,406	-	-
Interest Income	2,292	607	-
Investment Earnings (Loss)	(2,514)	-	-
Total Revenue	<u>465,184</u>	<u>57,382</u>	<u>69,813</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	290,410	-	-
Public works		-	-
Capital Outlay:			
Public Safety	4,599	-	-
Public works	-	-	-
Debt Service:			
Principal	-	-	83,000
Interest and Fiscal Charges	-	9,538	15,895
Total Expenditures	<u>295,009</u>	<u>9,538</u>	<u>98,895</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	170,175	47,844	(29,082)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	-	-	30,005
Transfer Out	-	-	-
Bond Proceeds	-	-	-
Payment of Refunded Bonds	-	(305,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(305,000)</u>	<u>30,005</u>
<b>NET CHANGE IN FUND BALANCE</b>	170,175	(257,156)	923
Fund Balance (Deficit) - Beginning of Year	<u>1,289,300</u>	<u>170,111</u>	<u>(241,504)</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 1,459,475</u>	<u>\$ (87,045)</u>	<u>\$ (240,581)</u>

Debt Service Funds				
2007 Street Improvement Bond Fund	2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	2003 Improvement Bond Fund	2013 Total
\$ 46,347	\$ 56,606	\$ 25,893	\$ 43,460	\$ 236,221
24,259	29,894	20,806	33,161	170,793
-	-	-	-	465,406
3,093	-	981	-	6,973
-	-	-	-	(2,514)
<u>73,699</u>	<u>86,500</u>	<u>47,680</u>	<u>76,621</u>	<u>876,879</u>
-	-	-	-	290,410
900	450	1,675	449	3,474
-	-	-	-	-
-	-	-	-	4,599
-	-	2,334	-	2,334
55,000	85,000	21,768	105,000	349,768
40,710	47,808	16,954	8,985	139,890
<u>96,610</u>	<u>133,258</u>	<u>42,731</u>	<u>114,434</u>	<u>790,475</u>
(22,911)	(46,758)	4,949	(37,813)	86,404
-	38,514	-	-	68,519
-	-	(200,000)	-	(200,000)
-	-	425,000	-	425,000
-	-	(90,000)	-	(395,000)
<u>-</u>	<u>38,514</u>	<u>135,000</u>	<u>-</u>	<u>(101,481)</u>
(22,911)	(8,244)	139,949	(37,813)	(15,077)
<u>496,397</u>	<u>196,092</u>	<u>498,749</u>	<u>150,235</u>	<u>2,559,380</u>
<u>\$ 473,486</u>	<u>\$ 187,848</u>	<u>\$ 638,698</u>	<u>\$ 112,422</u>	<u>\$ 2,544,303</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

<b>ASSETS</b>	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Totals 2013
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 131,346	\$ 72,922	\$ 49,969	\$ 254,237
Accounts Receivable	950	-	-	950
Total Current Assets	132,296	72,922	49,969	255,187
<b>Capital Assets</b>				
Buildings and Improvements	879,563	1,938,426	1,123,288	3,941,277
Machinery and Equipment	413,912	270,334	-	684,246
Total Capital Assets	1,293,475	2,208,760	1,123,288	4,625,523
Less: Accumulated Depreciation	(1,183,185)	(943,149)	(397,649)	(2,523,983)
Net Capital Assets	110,290	1,265,611	725,639	2,101,540
Total Assets	242,586	1,338,533	775,608	2,356,727
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	4,982	2,267	2,570	9,819
Accrued Salaries and Fringes	3,082	3,287	-	6,369
Accrued Interest Payable	-	-	241	241
Current Portion of Bonds Payable	-	-	17,552	17,552
Total Current Liabilities	8,064	5,554	20,363	33,981
<b>Noncurrent Liabilities</b>				
Compensated Absences	40,263	33,184	-	73,447
Bonds Payable - Long-Term	-	-	872,320	872,320
Unearned Revenue	-	-	5,200	5,200
Total Noncurrent Liabilities	40,263	33,184	877,520	950,967
Total Liabilities	48,327	38,738	897,883	984,948
<b>NET POSITION</b>				
Net Investment in Capital Assets	110,290	1,265,611	(164,233)	1,211,668
Unrestricted	83,969	34,184	41,958	160,111
Total Net Position	\$ 194,259	\$ 1,299,795	\$ (122,275)	\$ 1,371,779



**CITY OF WINDOM, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2013**

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Totals 2013
<b>OPERATING REVENUE</b>				
Facility Use/Other Revenue	\$ 138,359	\$ 61,776	\$ 90,628	\$ 290,763
<b>OPERATING EXPENSES</b>				
Personal Services	154,191	173,764	-	327,955
Supplies, Repairs, Services and Rents	154,803	63,121	42,827	260,751
Depreciation and Amortization	31,358	63,343	28,082	122,783
Total Operating Expenses	<u>340,352</u>	<u>300,228</u>	<u>70,909</u>	<u>711,489</u>
<b>OPERATING INCOME</b>	(201,993)	(238,452)	19,719	(420,726)
<b>OTHER INCOME (EXPENSE)</b>				
Taxes and Special Assessments	193,100	225,995	-	419,095
Interest Income	96	97	-	193
Investment Earnings	(115)	(116)	-	(231)
Interest Expense	-	-	(11,278)	(11,278)
Total Other Income (Expense)	<u>193,081</u>	<u>225,976</u>	<u>(11,278)</u>	<u>407,779</u>
<b>INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(8,912)	(12,476)	8,441	(12,947)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Transfers in	20,000	-	-	20,000
Total Transfers and Capital Contributions	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
<b>CHANGE IN NET POSITION</b>	11,088	(12,476)	8,441	7,053
Net Position - Beginning of Year, As Previously Stated	183,171	1,312,271	(186,083)	1,309,359
Prior Period Adjustment	-	-	55,367	55,367
Net Position - Beginning of Year, As Restated	<u>183,171</u>	<u>1,312,271</u>	<u>(130,716)</u>	<u>1,364,726</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 194,259</u>	<u>\$ 1,299,795</u>	<u>\$ (122,275)</u>	<u>\$ 1,371,779</u>

**CITY OF WINDOM, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2013**

	Arena Fund	Multi-Purpose Fund	River Bluff Townhomes	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers and Service Users	\$ 137,729	\$ 61,776	\$ 90,628	\$ 290,133
Cash Paid to Suppliers	(152,472)	(61,785)	(43,081)	(257,338)
Cash Paid to Employees	(149,172)	(170,762)	-	(319,934)
Net Cash Provided (Used) by Operating Activities	<u>(163,915)</u>	<u>(170,771)</u>	<u>47,547</u>	<u>(287,139)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund Borrowing	20,000	-	-	20,000
Property Tax Revenues	193,100	225,995	-	419,095
Net Cash Provided (Used) by Noncapital Financing Activities	<u>213,100</u>	<u>225,995</u>	<u>-</u>	<u>439,095</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(19,357)	(9,964)	-	(29,321)
Interest Paid on Long-Term Debt	-	-	(8,532)	(8,532)
Principal Payments on Long-Term Debt	-	-	(16,225)	(16,225)
Net Cash Used by Capital and Related Financing Activities	<u>(19,357)</u>	<u>(9,964)</u>	<u>(24,757)</u>	<u>(54,078)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income (Loss)	(19)	(19)	-	(38)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	29,809	45,241	22,790	97,840
Cash and Cash Equivalents - Beginning of Year	<u>101,537</u>	<u>27,681</u>	<u>27,179</u>	<u>156,397</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 131,346</u></u>	<u><u>\$ 72,922</u></u>	<u><u>\$ 49,969</u></u>	<u><u>\$ 254,237</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (201,993)	\$ (238,452)	\$ 19,719	\$ (420,726)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	31,358	63,343	28,082	122,783
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(630)	-	-	(630)
Increase (Decrease) in Accounts and Contracts Payable	2,331	1,336	(254)	3,413
Increase (Decrease) in Accrued Expenses	3,082	3,287	-	6,369
Increase (Decrease) in Accrued Compensated Absences	1,937	(285)	-	1,652
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (163,915)</u></u>	<u><u>\$ (170,771)</u></u>	<u><u>\$ 47,547</u></u>	<u><u>\$ (287,139)</u></u>

## **OTHER REPORT SECTION**

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE


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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windom (the City), Minnesota, as of December 31, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated June 24, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and city and county miscellaneous provisions.

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 *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* §6.65. 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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 24, 2014

