

**CITY OF REDWOOD FALLS, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

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## **INTRODUCTORY SECTION**

**CITY OF REDWOOD FALLS, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2021**

Name	Position	Term Expires
Tom Quackenbush	Mayor	December 31, 2022
Denise Kerkhoff	Council Member	December 31, 2024
Matt Smith	Council Member	December 31, 2024
John T. Buckley	Council Member	December 31, 2024
Larry Arentson	Council Member	December 31, 2022
James Sandgren	Council Member	December 31, 2022
Keith Muetzel	City Administrator	
Kari Klages	Finance Director	
Trenton Dammann	City Attorney	

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Redwood Falls  
Redwood Falls, Minnesota

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood Falls, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the total OPEB liability, related ratios and notes, schedule of the City's proportionate share of the net pension liability, the schedule of the City's pension contributions, the fire relief association schedule of change in the net pension asset and related ratios, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management



Honorable Mayor and  
Members of the City Council  
City of Redwood Falls

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
June 3, 2022

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

This section of the annual financial statements of the City of Redwood Falls, Minnesota (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ending December 31, 2021. Please read it in conjunction with the financial statements, which follow this section. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$72,684,706. Of this amount \$17,394,652 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net position increased by \$544,257 or 0.8%, over 2020.
- The City's governmental funds reported combined ending fund balances of \$17,800,482. Of this total amount, \$2,274,794 is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,166,534 or 49% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provides information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the statement of activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Statement of Net Position and Statement of Activities**

Our analysis of the City of Redwood Falls begins with the statement of net position and the statement of activities. One of the most important questions asked about the City's finances is, "is the City as a whole better or worse off as a result of the years' activities?" The statement of net position and statement of activities both report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

All of the current years' revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Redwood Falls.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund Financial Statements**

Our analysis of the City of Redwood Falls' major funds begins with the funds' financial statements and provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money. The City of Redwood Falls' two kinds of funds – governmental and proprietary– use different approaches.

*Governmental Funds* – Most of the City of Redwood Falls' basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation after the financial statements.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

*Proprietary Funds* – When the City of Redwood Falls charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The basic proprietary fund financial statements can be found on pages 21-30 of this report.

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**Notes to the Basic 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 the financial statements can be found on pages 31-76 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 77-97 of this report. It consists of budgetary comparison information for certain of the City's governmental funds, the fire relief association schedule of change in the net pension asset and related ratios, schedule of the proportionate share of the net pension liability, the schedule of pension contributions, and the schedule of changes in the total OPEB liability, related ratios and notes.

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City of Redwood Falls' net position increased during 2021 by \$544,257. Our analysis below focuses on the net position (see Table 1) and changes in net position (see Table 2) of the City's governmental and business-type activities.

**Table 1  
STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 19,375,315	\$ 17,808,479	\$ 12,282,855	\$ 11,109,056	\$ 31,658,170	\$ 28,917,535
Capital Assets	27,199,851	27,465,225	35,386,499	33,527,042	62,586,350	60,992,267
Total Assets	<u>46,575,166</u>	<u>45,273,704</u>	<u>47,669,354</u>	<u>44,636,098</u>	<u>94,244,520</u>	<u>89,909,802</u>
Deferred Outflows of Resources	1,938,924	737,647	762,428	146,723	2,701,352	884,370
Noncurrent Liabilities Outstanding	4,842,383	3,965,798	12,875,082	11,173,788	17,717,465	15,139,586
Other Liabilities	1,425,968	957,338	1,254,362	1,277,031	2,680,330	2,234,369
Total Liabilities	<u>6,268,351</u>	<u>4,923,136</u>	<u>14,129,444</u>	<u>12,450,819</u>	<u>20,397,795</u>	<u>17,373,955</u>
Deferred Inflows of Resources	2,790,601	1,081,057	1,072,770	198,711	3,863,371	1,279,768
Net Position						
Net Investment in Capital Assets	26,001,705	26,205,738	23,461,003	23,719,645	49,462,708	49,925,383
Restricted	5,260,329	3,640,711	567,017	474,163	5,827,346	4,114,874
Unrestricted	8,193,104	10,160,709	9,201,548	7,939,483	17,394,652	18,100,192
Total Net Position	<u>\$ 39,455,138</u>	<u>\$ 40,007,158</u>	<u>\$ 33,229,568</u>	<u>\$ 32,133,291</u>	<u>\$ 72,684,706</u>	<u>\$ 72,140,449</u>

**Governmental Activities**

Net position of the City's governmental activities decreased by \$552,020 or 1.4%. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirement was \$8,193,104 at December 31, 2021. A thorough analysis of governmental activities is discussed below.

**Business-Type Activities**

The net position of our business-type activities increased by \$1,096,277 or 3.4%, due to the City's proprietary funds continuing to show strong financial performance. The Proprietary funds made cash transfers to governmental funds totaling approximately \$703,000.

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

The following table indicates the changes in net position for the City's governmental and business-type activities:

**Table 2  
STATEMENT OF ACTIVITIES**

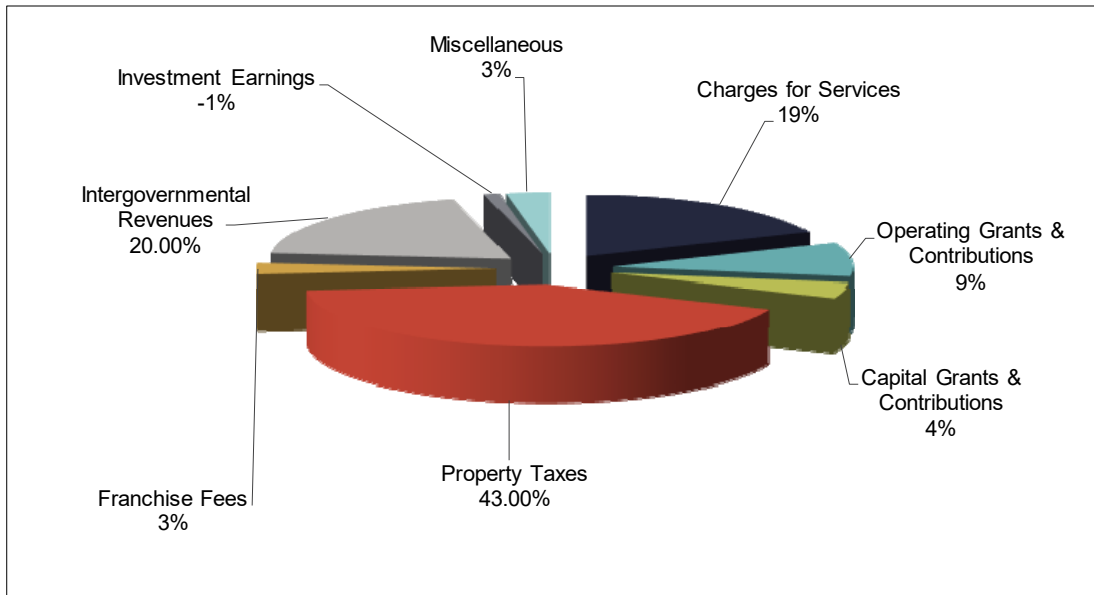
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program Revenues						
Charges for Services	\$ 1,577,043	\$ 1,815,328	\$ 12,455,406	\$ 12,080,625	\$ 14,032,449	\$ 13,895,953
Operating Grants and Contributions	690,857	610,552	3,257	8,292	694,114	618,844
Capital Grants and Contributions	289,372	415,995	38,276	948,237	327,648	1,364,232
General Revenues						
Property Taxes	3,459,425	3,382,788	-	-	3,459,425	3,382,788
Franchise Fees	170,861	164,423	-	-	170,861	164,423
Hotel Taxes	38,143	28,533	-	-	38,143	28,533
Intergovernmental Revenues	1,693,728	1,646,797	-	-	1,693,728	1,646,797
Investment Earnings (Loss)	(66,922)	540,012	(51,542)	321,781	(118,464)	861,793
Miscellaneous	257,169	351,346	206,657	88,702	463,826	440,048
Total Revenue	<u>8,109,676</u>	<u>8,955,774</u>	<u>12,652,054</u>	<u>13,447,637</u>	<u>20,761,730</u>	<u>22,403,411</u>
Expenses						
General Government	1,423,762	1,260,455	-	-	1,423,762	1,260,455
Public Safety	2,046,322	2,000,693	-	-	2,046,322	2,000,693
Highways & Streets	1,798,131	1,756,708	-	-	1,798,131	1,756,708
Culture and Recreation	2,731,742	2,493,735	-	-	2,731,742	2,493,735
Economic Development	206,260	151,332	-	-	206,260	151,332
Airport	514,237	597,187	-	-	514,237	597,187
Community Development	611,829	2,860,021	-	-	611,829	2,860,021
Interest and Fiscal Charges	32,105	25,177	-	-	32,105	25,177
Municipal Liquor Store	-	-	2,428,671	2,501,462	2,428,671	2,501,462
Water Utility	-	-	1,436,386	1,299,465	1,436,386	1,299,465
Sewer Utility	-	-	1,020,762	1,066,378	1,020,762	1,066,378
Storm Sewer Utility	-	-	248,859	289,317	248,859	289,317
Electric Utility	-	-	5,718,407	5,066,415	5,718,407	5,066,415
Total Expenses	<u>9,364,388</u>	<u>11,145,308</u>	<u>10,853,085</u>	<u>10,223,037</u>	<u>20,217,473</u>	<u>21,368,345</u>
Change in Net Position Before Transfers	(1,254,712)	(2,189,534)	1,798,969	3,224,600	544,257	1,035,066
Transfers	702,692	1,128,956	(702,692)	(1,128,956)	-	-
Change in Net Position	<u>(552,020)</u>	<u>(1,060,578)</u>	<u>1,096,277</u>	<u>2,095,644</u>	<u>544,257</u>	<u>1,035,066</u>
Net Position - Beginning of Year	<u>40,007,158</u>	<u>41,067,736</u>	<u>32,133,291</u>	<u>30,037,647</u>	<u>72,140,449</u>	<u>71,105,383</u>
Net Position - End of Year	<u>\$ 39,455,138</u>	<u>\$ 40,007,158</u>	<u>\$ 33,229,568</u>	<u>\$ 32,133,291</u>	<u>\$ 72,684,706</u>	<u>\$ 72,140,449</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**Governmental Activities**

*Revenues* – The following chart visually illustrates the City's revenues by source for its governmental activities:

**2021 REVENUES BY SOURCE  
GOVERNMENTAL ACTIVITIES**



*Revenues* – The City's governmental activities revenues decreased by \$846,098 or 9.4%. The major components of this decrease are explained as follows:

- Investment earnings decreased in 2021 by \$607,000 due to a decrease in fair market value.
- Charges for Services decreased by \$238,000. This decrease was primarily due to the end of a two-year lease agreement with Carris Health on the old hospital building. The lease ended in December 2020 and reduced annual income by \$600,000. These decreases were offset by an increase of \$54,000 in building inspection related fees. There was also an increase of \$242,000 in activity fees at the RACC, Pool, and Library, as well as an increase of \$63,000 at the airport primarily due to increased fuel sales. Both the increase in activity fees and fuel sales reflect the easing of covid restrictions.
- Capital grants and contributions decreased in 2021 by \$127,000. In 2020, grants and contributions included \$281,000 in Covid Relief Funding (CARES) that was used for capital projects at the RACC, Library, City Hall and the Fire department, \$70,000 for the Courthouse Square project, and \$24,000 to purchase a Kubota tractor at the Airport, with the remaining \$41,000 representing numerous small projects. In 2021, grants and contributions included \$134,000 for capital projects for Parks and Recreation, \$79,000 for the Airport Lift project, \$72,000 for Fire Department equipment replacement and \$4,000 for a couple small projects.
- Miscellaneous revenues decreased in 2021 by \$94,000 primarily due to a \$100,000 insurance reimbursement for damage to the Airport terminal that occurred in 2020.

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**Governmental Activities (Continued)**

*Revenues (Continued) –*

- Operating grants and contributions increased in 2021 by \$80,000 largely due to the Small Cities Development Program Grant which provides for residential and downtown building repairs. The city received \$67,000 of SCDP grant revenue in 2021. The remaining \$13,000 increase represents numerous small grants and increases in the annual operating grants received.
- Property Taxes increased in 2021 by \$77,000 and Local Government Aid (LGA) increased by \$47,000.

*Expenses –* The City's expenses for governmental activities decreased by \$1,780,920 or 16.0%. The major components of this decrease are explained as follows:

- Depreciation expense decreased in 2021 by \$2,854,000 due to accelerated depreciation on the hospital building ending in 2020.
- Offsetting this are several expense increases including a \$575,000 loss on the sale of the hospital land, \$107,000 due to a large on-going Workers' Compensation case, \$67,000 in pass-through expenses related to the SCDP grant discussed above, \$65,000 to reroof City Hall and \$33,000 to switch to cloud-based financial software (which will eliminate the costs of server replacements in the future). There was also an increase in wages, benefits, and activity costs of \$189,000 for the RACC and pool and \$14,000 for the library due to easing of covid restrictions.

**Business-Type Activities**

*Revenues –* The City's business-type operating revenues and other income decreased 5.9%, or \$795,583 in 2021 when compared to 2020. Revenues decreased by \$925,000 related to a contribution received in 2020 from Carris Health for water and sewer infrastructure installed at the new hospital. Investment earnings also decreased in 2021 by \$373,000 due to a decrease in fair market value. The sanitary sewer utility saw a decrease in revenue of \$12,000 due to lower industrial usage and there was also a reduction of sales at the Liquor Lodge of \$105,000 likely related to the easing of some covid restrictions. This was offset by an increase in revenues attributable to higher charges for services of \$67,000 for the water utility, \$21,000 for the storm sewer utility and \$403,000 for the electric utility. There was also an increase of \$118,000 in miscellaneous revenues including \$84,000 in a member cash distribution from SMMPA.

*Expenses –* There was an increase in business-type expenses of \$630,048 or 6.2%% in 2021 when compared to 2020. The electric utility's purchased power costs increased \$395,000 in 2021. The electric utility also incurred an additional \$80,000 in service territory fees related to the new hospital and \$103,000 in higher transformer and wire costs due to higher costs of materials. The water utility also saw an increase of \$122,000 for the replacement of RO membranes. This was offset by \$73,000 in reduced costs of product purchases at the Liquor Lodge in 2021 due to the lower sales noted above.

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

*General Fund –* The City's General Fund balance increased by \$60,391 from the 2020 balance. This increase is attributable in part to the General Fund budgetary highlights discussed below.



**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

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

*Capital Project Fund* – The Capital Project Fund balance decreased by \$1,935,541 and ended the year with a \$4,557,956 fund balance. This decrease is the result of fund reserve balances being applied primarily to two large projects. Approximately \$1,474,000 was applied to the City's new business and housing development, Reflection Ridge Business Park and The Homes of Reflection Prairie. Of this amount, \$1,179,000 was a transfer to the Port Authority to cover the purchase of the land for the development site. In addition to the development project, \$528,000 was used to fulfill the City's commitment to the Lake Redwood dredging project.

*Port Authority*- The Port Authority Fund balance increased \$1,167,572 by from the 2020 balance. This increase was due to the transfer of \$1,179,000 from the Capital Project Fund for the purchase of land for the City's new business and housing development discussed above.

*Nonmajor Governmental Funds* – The fund balances for the Nonmajor Governmental Funds increased by \$1,738,806 in total. The increase is due to the issuance of debt/loan proceeds in the Fire Equipment Replacement Fund for the purchase of the new aerial ladder truck.

**General Fund Budgetary Highlights**

Actual revenue was more than budget in 2021 by \$95,706. The overbudget revenue was made up of several factors including \$81,000 of unbudgeted contributions from private sources for improvements to playgrounds and ballfields. Building Inspection related permits and fees were \$95,000 higher than budgeted and park revenues for the campground, shelters and zoo were \$25,000 over budget. Other revenues that exceeded budget include \$44,000 in property, franchise and hotel/motel taxes, \$29,000 in insurance dividends, and \$50,000 in total intergovernmental revenues. These overbudget revenues were offset by several underbudget revenues including investment earnings that were \$139,000 under budget and RACC and summer recreation programs' rentals, memberships, lessons, and activity fees that ended the year \$85,000 under budget due to on-going covid restrictions.

Expenditures were more than budget by \$33,990. Significant variances over budget include \$107,000 due to a large, on-going Workers' Compensation case, \$84,000 in costs related to the improvements to playgrounds and ballfields discussed above, \$88,000 for the Drew Street improvement project and \$29,000 for the ADA Transition Plan. These unfavorable variances were offset by \$164,000 in reduced expenses at the RACC, pool, and summer recreation programs and a favorable seal coating bid that came in \$69,000 under budget. The city also did not have a required contribution to the Fire Relief Association in 2021 resulting in a savings of \$22,000 and the maintenance costs of buildings and grounds were \$13,000 under budget.

Transfers out were higher than budget by \$68,560, which is the repayment of the MSAS advance to the TIF 10-1 that was transferred to the Capital Project Fund for future projects.

**CITY OF REDWOOD FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2021, the City of Redwood Falls, had \$118,384,381 invested (original cost) in a broad range of capital assets. Refer to Note 3 of the basic financial statements for a schedule showing the City's capital asset activity. This amount represents a decrease (including additions and deductions) in gross capital assets of \$19,017,492 over last year. The large disposal in 2021 was a result of the sale of the old hospital building that had a value of \$23,370,747.

**Long-Term Debt**

At year-end, the City of Redwood Falls, has \$15,069,282 in outstanding long term debt. During 2021, \$5,206,389 of debt was issued. Refer to Note 4 of the basic financial statements for a schedule showing the City's long-term debt activity.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City of Redwood Falls' appointed officials considered many factors when presenting the fiscal year 2022 budget and rates and fees that will be charged for the business-type activities. One of the major factors continues to be personnel costs in the General Fund as the services provided are labor intensive. In addition, providing the costly infrastructure maintenance and improvements necessary for the citizenry continues to be a challenge due to aging infrastructure and high replacement costs. Inflation has created some uncertainty in revenue and expenditure forecasts, but the City continues its efforts with cost containment. Appointed and elected officials continue to work together to balance and prioritize to continue providing essential services to the community.

**CONTACT INFORMATION**

This annual report is designed to provide a general overview of the City of Redwood Falls, Minnesota finances for citizens, customers and others. Questions concerning any of the information contained in this report and request for additional information should be addressed to the City of Redwood Falls, P.O. Box 526, 333 S Washington St., Redwood Falls, MN 56283, by email at [info@ci.redwood-falls.mn.us](mailto:info@ci.redwood-falls.mn.us) or by phone at 507-616-7400.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 13,772,718	\$ 7,454,232	\$ 21,226,950
Cash and Investments - Restricted	-	541,758	541,758
Accounts Receivable, Net	250,841	1,313,869	1,564,710
Property Taxes Receivable	67,544	-	67,544
Special Assessments Receivable	44,567	8,888	53,455
Accrued Interest Receivable	45,439	51,783	97,222
Interfund Balances	(1,102,233)	1,102,233	-
Due from Other Governments	1,391,276	46,694	1,437,970
Inventories	67,547	1,643,742	1,711,289
Property Held for Resale	3,167,872	-	3,167,872
Prepaid Items	1,266,108	71,931	1,338,039
Notes Receivable	114,388	-	114,388
Acquisition Costs, Net of Amortization	-	47,725	47,725
Net Pension Asset	289,248	-	289,248
Capital Assets Not Being Depreciated:			
Land	2,058,380	952,306	3,010,686
Land Improvements	100,938	-	100,938
Construction in Progress	465,887	1,357,957	1,823,844
Capital Assets Being Depreciated:			
Other Capital Assets, Net of Depreciation	24,574,646	33,076,236	57,650,882
Total Assets	<u>46,575,166</u>	<u>47,669,354</u>	<u>94,244,520</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Refunding Bonds	1,720	27,264	28,984
Pension Related	1,915,416	722,078	2,637,494
Other Postemployment Benefits Related	21,788	13,086	34,874
Total Deferred Outflows of Resources	<u>1,938,924</u>	<u>762,428</u>	<u>2,701,352</u>
<b>LIABILITIES</b>			
Accounts Payable	363,669	385,691	749,360
Contracts Payable	69,643	328,054	397,697
Accrued Salaries and Fringes	108,177	49,101	157,278
Accrued Interest Payable	15,203	79,276	94,479
Other Accrued Liabilities	-	20,489	20,489
Due to Other Governments	33,742	58,031	91,773
Deposits Payable	4,332	134,643	138,975
Unearned Revenue	508,087	22,237	530,324
Long-Term Liabilities:			
Net Pension Liability	1,631,295	1,016,888	2,648,183
OPEB Liability Due Within One Year	9,661	5,803	15,464
OPEB Liability Due in More than One Year	313,454	171,037	484,491
Due Within One Year	897,192	977,733	1,874,925
Due in More than One Year	2,313,896	10,880,461	13,194,357
Total Liabilities	<u>6,268,351</u>	<u>14,129,444</u>	<u>20,397,795</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	2,644,901	990,540	3,635,441
Other Postemployment Benefits Related	133,308	82,230	215,538
Property Taxes Collected for Subsequent Period	12,392	-	12,392
Total Deferred Inflows of Resources	<u>2,790,601</u>	<u>1,072,770</u>	<u>3,863,371</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	26,001,705	23,461,003	49,462,708
Restricted for:			
Police Seizures	34,983	-	34,983
Debt Service	-	541,758	541,758
Library	383,144	-	383,144
Port Authority	3,412,761	-	3,412,761
Revolving Loans	779,451	-	779,451
Capital Improvements	-	25,259	25,259
Transportation	360,742	-	360,742
Firefighter Pension	289,248	-	289,248
Unrestricted	8,193,104	9,201,548	17,394,652
Total Net Position	<u>\$ 39,455,138</u>	<u>\$ 33,229,568</u>	<u>\$ 72,684,706</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 1,423,762	\$ 367,926	\$ 4,507	\$ -
Public Safety	2,046,322	212,979	179,611	79,598
Highways and Streets	1,798,131	10,730	348,325	4,000
Culture and Recreation	2,731,742	698,113	59,106	126,483
Economic Development	206,260	-	67,486	-
Airport	514,237	287,295	31,822	79,291
Community Development	611,829	-	-	-
Interest and Fiscal Charges	32,105	-	-	-
Total Governmental Activities	<u>9,364,388</u>	<u>1,577,043</u>	<u>690,857</u>	<u>289,372</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Municipal Liquor Store	2,428,671	2,551,638	-	-
Water Utility	1,436,386	1,542,097	598	-
Sewer Utility	1,020,762	1,022,651	530	-
Storm Sewer Utility	248,859	334,684	211	-
Electric Utility	5,718,407	7,004,336	1,918	38,276
Total Business-Type Activities	<u>10,853,085</u>	<u>12,455,406</u>	<u>3,257</u>	<u>38,276</u>
Total	<u>\$ 20,217,473</u>	<u>\$ 14,032,449</u>	<u>\$ 694,114</u>	<u>\$ 327,648</u>

**GENERAL REVENUES**

Taxes:

Property Taxes, Levied for General Purpose

Franchise Taxes

Hotel/Motel Taxes

Intergovernmental Revenues, Not Restricted to Specific Programs

Investment Loss

Miscellaneous

Transfers

Total General Revenues and Transfers

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

**NET POSITION - END OF YEAR**

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
Primary Government		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (1,051,329)	\$ -	\$ (1,051,329)
(1,574,134)	-	(1,574,134)
(1,435,076)	-	(1,435,076)
(1,848,040)	-	(1,848,040)
(138,774)	-	(138,774)
(115,829)	-	(115,829)
(611,829)	-	(611,829)
(32,105)	-	(32,105)
<u>(6,807,116)</u>	<u>-</u>	<u>(6,807,116)</u>
-	122,967	122,967
-	106,309	106,309
-	2,419	2,419
-	86,036	86,036
-	1,326,123	1,326,123
<u>-</u>	<u>1,643,854</u>	<u>1,643,854</u>
<u>(6,807,116)</u>	<u>1,643,854</u>	<u>(5,163,262)</u>
3,459,425	-	3,459,425
170,861	-	170,861
38,143	-	38,143
1,693,728	-	1,693,728
(66,922)	(51,542)	(118,464)
257,169	206,657	463,826
702,692	(702,692)	-
<u>6,255,096</u>	<u>(547,577)</u>	<u>5,707,519</u>
(552,020)	1,096,277	544,257
<u>40,007,158</u>	<u>32,133,291</u>	<u>72,140,449</u>
<u>\$ 39,455,138</u>	<u>\$ 33,229,568</u>	<u>\$ 72,684,706</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
BALANCE SHEET GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

<b>ASSETS</b>	General	Capital Projects Fund	Port Authority	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 5,939,041	\$ 4,726,070	\$ 245,658	\$ 2,437,165	\$ 13,347,934
Accounts Receivable, Net	136,938	32,666	-	4,082	173,686
Property Taxes Receivable	55,953	-	1,304	10,287	67,544
Special Assessments Receivable	44,567	-	-	-	44,567
Accrued Interest Receivable	20,754	19,015	-	4,950	44,719
Advances to Other Funds	724,645	-	-	-	724,645
Due from Other Funds	1,442	139,862	-	-	141,304
Due from Other Governments	431,202	-	253	959,096	1,390,551
Prepaid Items	109,082	-	916	1,149,897	1,259,895
Property Held for Resale	-	-	3,167,872	-	3,167,872
Notes Receivable	-	-	-	114,388	114,388
Inventory	37,471	-	-	30,076	67,547
Total Assets	<u>\$ 7,501,095</u>	<u>\$ 4,917,613</u>	<u>\$ 3,416,003</u>	<u>\$ 4,709,941</u>	<u>\$ 20,544,652</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 201,764	\$ -	\$ 81	\$ 114,560	\$ 316,405
Contracts Payable	9,091	55,807	-	4,745	69,643
Accrued Salaries and Fringes	98,028	-	1,030	7,281	106,339
Due to Other Funds	18,776	-	-	143,398	162,174
Due to Other Governments	33,717	-	-	21	33,738
Advances from Other Funds	-	-	-	724,645	724,645
Deposits	4,332	-	-	-	4,332
Unearned Revenue	155,372	271,184	-	81,531	508,087
Total Liabilities	<u>521,080</u>	<u>326,991</u>	<u>1,111</u>	<u>1,076,181</u>	<u>1,925,363</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes Collected for a Subsequent Period	10,383	-	253	1,756	12,392
Unavailable Revenue - Taxes and Special Assessments	64,388	-	962	7,657	73,007
Unavailable Revenue - Loans	-	-	-	114,388	114,388
Unavailable Revenue - Grants and Other	378,609	-	-	207,745	586,354
Unavailable Revenue - Pledges	-	32,666	-	-	32,666
Total Deferred Inflows of Resources	<u>453,380</u>	<u>32,666</u>	<u>1,215</u>	<u>331,546</u>	<u>818,807</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid Items	109,082	-	916	1,149,897	1,259,895
Advance	724,645	-	-	-	724,645
Inventory	37,471	-	-	30,076	67,547
Restricted for:					
Seizures	34,983	-	-	-	34,983
Debt Service	-	-	-	24	24
Library	-	-	-	374,810	374,810
Port Authority	-	-	3,412,761	-	3,412,761
Revolving Loans	-	-	-	665,063	665,063
Committed to:					
Fire Equipment	-	-	-	779,307	779,307
Airport Operations	-	-	-	45,153	45,153
Economic Development	-	3,820,829	-	788	3,821,617
Hospital Building	-	-	-	1,148,836	1,148,836
Capital Expenditures	-	737,127	-	-	737,127
Assigned to:					
Softball Improvements	69,688	-	-	-	69,688
Working Capital	2,320,908	-	-	-	2,320,908
Fire Relief Contribution	63,324	-	-	-	63,324
Unassigned:	3,166,534	-	-	(891,740)	2,274,794
Total Fund Balances	<u>6,526,635</u>	<u>4,557,956</u>	<u>3,413,677</u>	<u>3,302,214</u>	<u>17,800,482</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,501,095</u>	<u>\$ 4,917,613</u>	<u>\$ 3,416,003</u>	<u>\$ 4,709,941</u>	<u>\$ 20,544,652</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

<b>Total Fund Balance for Governmental Funds</b>		\$ 17,800,482
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	\$ 2,006,480	
Land Improvements	100,938	
Construction in Progress	412,138	
Land Improvements, Net of Accumulated Depreciation	1,306,013	
Buildings, Net of Accumulated Depreciation	9,172,044	
Infrastructure, Net of Accumulated Depreciation	8,751,672	
Machinery and Shop Equipment, Net of Accumulated Depreciation	1,746,793	23,496,078
Some of the City's property taxes, special assessments, and other revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		806,415
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.		
		(9,460)
Internal service funds are used by the City to charge the costs of certain activities to individual funds. The portion of assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds that are used by the governmental funds are included in governmental activities in the statement of net position.		
		2,276,269
The City's net pension asset and liability and related deferred outflows and inflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Asset		289,248
Net Pension Liability		(1,589,500)
Deferred Outflows of Resources - Pension Related		1,885,738
Deferred Inflows of Resources - Pension Related		(2,604,189)
The City's other postemployment liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Liability		(317,765)
Deferred Outflows of Resources - OPEB Related		21,243
Deferred Inflows of Resources - OPEB Related		(129,882)
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, excluding Internal Service Funds	(2,147,079)	
Unamortized Cost of Refunding	1,720	
Compensated Absences Payable	(324,180)	(2,469,539)
<b>Total Net Position of Governmental Activities</b>		<b>\$ 39,455,138</b>

See accompanying Notes to Basic Financial Statements.



**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES — GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

<b>REVENUES</b>	General	Capital Projects Fund	Port Authority	Nonmajor Governmental Funds	Total Governmental Funds
Local Tax Levies	\$ 2,931,893	\$ 181,100	\$ 89,014	\$ 500,910	\$ 3,702,917
Intergovernmental	1,983,814	-	87	208,867	2,192,768
Charges for Services	774,063	-	30,450	291,362	1,095,875
Fees, Licenses and Permits	169,285	-	-	-	169,285
Fines and Forfeits	37,828	-	-	3,595	41,423
Investment Earnings (Loss)	(30,603)	7,939	(30,163)	(13,823)	(66,650)
Contributions	84,614	-	-	9,200	93,814
Miscellaneous	120,237	4,000	727	18,192	143,156
Total Revenues	<u>6,071,131</u>	<u>193,039</u>	<u>90,115</u>	<u>1,018,303</u>	<u>7,372,588</u>
<b>EXPENDITURES</b>					
Current:					
General Government	1,120,053	-	-	32,630	1,152,683
Public Safety	2,212,878	-	-	614	2,213,492
Highways and Streets	1,130,857	85,554	-	-	1,216,411
Culture and Recreation	1,708,509	-	-	410,429	2,118,938
Economic Development	45,049	-	63,437	77,869	186,355
Airport	-	-	-	319,048	319,048
Capital Outlay	258,194	920,415	-	111,387	1,289,996
Debt Service:					
Principal	-	-	-	656,173	656,173
Interest	-	-	-	28,499	28,499
Fiscal Agent Fees	-	-	-	19,324	19,324
Total Expenditures	<u>6,475,540</u>	<u>1,005,969</u>	<u>63,437</u>	<u>1,655,973</u>	<u>9,200,919</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(404,409)	(812,930)	26,678	(637,670)	(1,828,331)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	566,547	76,560	1,179,171	68,777	1,891,055
Transfers Out	(101,747)	(1,199,171)	(38,277)	(18,500)	(1,357,695)
Loan Proceeds	-	-	-	1,141,389	1,141,389
Issuance of Debt	-	-	-	1,184,810	1,184,810
Total Other Financing Sources (Uses)	<u>464,800</u>	<u>(1,122,611)</u>	<u>1,140,894</u>	<u>2,376,476</u>	<u>2,859,559</u>
<b>NET CHANGE IN FUND BALANCES</b>	60,391	(1,935,541)	1,167,572	1,738,806	1,031,228
Fund Balances - Beginning of Year	<u>6,466,244</u>	<u>6,493,497</u>	<u>2,246,105</u>	<u>1,563,408</u>	<u>16,769,254</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,526,635</u>	<u>\$ 4,557,956</u>	<u>\$ 3,413,677</u>	<u>\$ 3,302,214</u>	<u>\$ 17,800,482</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES — GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

**Net Change in Fund Balance - Total Governmental Funds** \$ 1,031,228

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

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

Capital Outlays	\$ 1,353,129	
Net Book Value of Disposed Assets	(574,758)	
Depreciation Expense	<u>(1,578,335)</u>	(799,964)

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. (6,835)

The governmental funds report repayment of long term debt as an expenditure, whereas in the statement of activities 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 amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Debt Issued	(2,326,199)	
Repayment of Bond and Capital Lease Principal	656,173	
Amortization of Bond Discount	<u>(215)</u>	(1,670,241)

Delinquent property taxes, special assessments, 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 unavailable in the governmental funds. In addition, other receivables not currently collectible are also unavailable in the governmental funds.

Deferred Inflows - December 31, 2020	(433,926)	
Deferred Inflows - December 31, 2021	<u>806,415</u>	372,489

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). During the current year, compensated absence payable increased. (32,880)

Some expenses, such as other postemployment benefits, reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. (14,378)

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability (asset) and related inflows and outflows of resources. 424,063

Internal service funds are used by the City to charge costs of certain activities to individual funds. The portion of net revenues of the internal service funds that are received for governmental funds is reported with governmental activities. 144,498

**Change in Net Position of Governmental Activities** \$ (552,020)

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,486,848	\$ 984,072	\$ 3,285,905	\$ 253,528
Cash and Cash Equivalents - Restricted	-	-	490,008	51,750
Accounts Receivable, Net	147,454	196,629	923,672	-
Special Assessments Receivable	1,734	2,308	3,586	-
Accrued Interest Receivable	9,681	4,905	33,339	2,793
Due from Other Funds	501	904	37,347	-
Due from Other Governmental Units	216	-	45,840	638
Inventories	3,024	52,727	1,344,238	243,753
Prepaid Items	4,856	3,242	58,155	5,227
Total Current Assets	<u>2,654,314</u>	<u>1,244,787</u>	<u>6,222,090</u>	<u>557,689</u>
<b>NONCURRENT ASSETS</b>				
Acquisition Costs, Net of Amortization	-	-	47,725	-
Capital Assets:				
Land	35,524	54,538	271,256	42,900
Construction in Progress	209,781	95,138	966,990	-
Buildings and Improvements	12,534,049	16,479,460	22,736,972	601,262
Machinery and Equipment	2,373,207	1,739,776	3,197,891	208,186
Total Capital Assets	<u>15,152,561</u>	<u>18,368,912</u>	<u>27,173,109</u>	<u>852,348</u>
Less: Accumulated Depreciation	<u>(9,048,132)</u>	<u>(5,392,753)</u>	<u>(13,391,109)</u>	<u>(413,712)</u>
Net Capital Assets	<u>6,104,429</u>	<u>12,976,159</u>	<u>13,782,000</u>	<u>438,636</u>
Total Noncurrent Assets	<u>6,104,429</u>	<u>12,976,159</u>	<u>13,829,725</u>	<u>438,636</u>
 Total Assets	 8,758,743	 14,220,946	 20,051,815	 996,325
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Refunding Bonds	5,187	4,519	16,469	655
Pension Related	100,486	113,400	363,438	105,239
Other Postemployment Benefits Related	2,181	2,181	5,998	2,181
Deferred Outflows of Resources	<u>107,854</u>	<u>120,100</u>	<u>385,905</u>	<u>108,075</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)**  
**DECEMBER 31, 2021**

Nonmajor		Governmental
Storm Sewer Utility	Totals	Activities Internal Service Funds
\$ 443,879	\$ 7,454,232	\$ 424,784
-	541,758	-
46,114	1,313,869	77,155
1,260	8,888	-
1,065	51,783	720
351	39,103	-
-	46,694	725
-	1,643,742	-
451	71,931	6,213
493,120	11,172,000	509,597
-	47,725	-
548,088	952,306	51,900
86,048	1,357,957	53,749
1,946,754	54,298,497	1,395,395
69,278	7,588,338	4,420,660
2,650,168	64,197,098	5,921,704
(564,893)	(28,810,599)	(2,217,931)
2,085,275	35,386,499	3,703,773
2,085,275	35,434,224	3,703,773
2,578,395	46,606,224	4,213,370
434	27,264	-
39,515	722,078	29,678
545	13,086	545
40,494	762,428	30,223

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)**  
**DECEMBER 31, 2021**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>LIABILITIES</b>				
Accounts Payable	\$ 14,172	\$ 10,936	\$ 296,779	\$ 63,804
Contracts Payable	22,481	52,319	238,527	945
Accrued Salaries and Fringes	6,808	7,630	23,905	8,219
Accrued Interest Payable	6,849	66,294	5,838	149
Other Accrued Liabilities	-	1,323	19,166	-
Due to Other Funds	11,126	4,346	197	1,401
Due to Other Governmental Units	-	8,520	23,545	25,966
Customer Deposits	-	-	134,643	-
Current Portion of Compensated Absences	16,346	18,475	46,659	14,805
Current Portion of Other Postemployment Benefits Liability	967	967	2,660	967
Current Portion of Bonds Payable	91,712	332,074	395,000	50,000
Total Current Liabilities	<u>170,461</u>	<u>502,884</u>	<u>1,186,919</u>	<u>166,256</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated Absences	22,606	26,134	56,029	23,851
Other Postemployment Benefits Liability	27,143	28,159	86,264	26,557
Net Pension Liability	141,513	159,699	511,823	148,205
Bonds Payable - Long-Term	838,437	6,120,591	3,754,525	(770)
Unearned Revenue	-	-	22,237	-
Total Noncurrent Liabilities	<u>1,029,699</u>	<u>6,334,583</u>	<u>4,430,878</u>	<u>197,843</u>
Total Liabilities	<u>1,200,160</u>	<u>6,837,467</u>	<u>5,617,797</u>	<u>364,099</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	137,847	155,561	498,561	144,364
Other Postemployment Benefits Related	13,705	13,705	37,689	13,705
Deferred Inflows of Resources	<u>151,552</u>	<u>169,266</u>	<u>536,250</u>	<u>158,069</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,156,985	6,475,693	9,410,358	390,061
Restricted for Capital Improvements	25,259	-	-	-
Restricted for Bond Reserve Funds	-	-	490,008	51,750
Unrestricted	2,332,641	858,620	4,383,307	140,421
Total Net Position	<u>\$ 7,514,885</u>	<u>\$ 7,334,313</u>	<u>\$ 14,283,673</u>	<u>\$ 582,232</u>
Adjustment to Reflect the Consolidated Internal Service Funds Related to the Enterprise Fund				
Total Net Position of the Business-Type Activities				

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)**  
**DECEMBER 31, 2021**

Nonmajor Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ -	\$ 385,691	\$ 47,264
13,782	328,054	-
2,539	49,101	1,838
146	79,276	5,743
-	20,489	-
-	17,070	1,163
-	58,031	4
-	134,643	-
5,430	101,715	5,680
242	5,803	241
7,232	876,018	50,000
<u>29,371</u>	<u>2,055,891</u>	<u>111,933</u>
2,837	131,457	7,149
2,914	171,037	5,109
55,648	1,016,888	41,795
36,221	10,749,004	677,000
-	22,237	-
<u>97,620</u>	<u>12,090,623</u>	<u>731,053</u>
126,991	14,146,514	842,986
54,207	990,540	40,712
<u>3,426</u>	<u>82,230</u>	<u>3,426</u>
<u>57,633</u>	<u>1,072,770</u>	<u>44,138</u>
2,027,906	23,461,003	2,976,773
-	25,259	-
-	541,758	-
406,359	8,121,348	379,696
<u>\$ 2,434,265</u>	<u>32,149,368</u>	<u>\$ 3,356,469</u>
	<u>1,080,200</u>	
	<u>\$ 33,229,568</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION — PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>OPERATING REVENUE</b>				
Sales	\$ -	\$ -	\$ -	\$ 2,551,638
Cost of Sales	-	-	-	(1,910,983)
Charges for Services	1,017,714	1,526,587	6,657,155	-
Miscellaneous	4,937	15,510	347,181	-
Total Operating Revenue	<u>1,022,651</u>	<u>1,542,097</u>	<u>7,004,336</u>	<u>640,655</u>
<b>OPERATING EXPENSES</b>				
Personal Services	326,925	367,018	1,105,720	376,291
Administration and General	182,783	134,830	256,710	36,774
Supplies, Repairs, Services and Rents	143,831	368,964	3,379,777	18,001
Depreciation and Amortization	308,111	391,979	800,448	26,981
Benefits or Claims Paid	-	-	-	-
Miscellaneous	53,386	7,262	80,470	54,121
Total Operating Expenses	<u>1,015,036</u>	<u>1,270,053</u>	<u>5,623,125</u>	<u>512,168</u>
<b>OPERATING INCOME (LOSS)</b>	7,615	272,044	1,381,211	128,487
<b>OTHER INCOME (EXPENSE)</b>				
Intergovernmental Revenues	530	598	1,918	-
Investment Earnings (Loss)	(17,459)	4,462	(32,311)	(2,517)
Miscellaneous Revenues	6,909	27,639	169,511	2,548
Interest Expense	(20,448)	(185,457)	(117,140)	(5,520)
Gain/(Loss) on Sale of Capital Assets	-	-	-	-
Total Other Income (Expense)	<u>(30,468)</u>	<u>(152,758)</u>	<u>21,978</u>	<u>(5,489)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(22,853)	119,286	1,403,189	122,998
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Transfers In	-	-	-	-
Transfers Out	(13,416)	(93,416)	(470,917)	(120,000)
Capital Contributions	-	-	38,276	-
Total Transfers and Capital Contributions	<u>(13,416)</u>	<u>(93,416)</u>	<u>(432,641)</u>	<u>(120,000)</u>
<b>CHANGE IN NET POSITION</b>	(36,269)	25,870	970,548	2,998
Net Position - Beginning of Year	<u>7,551,154</u>	<u>7,308,443</u>	<u>13,313,125</u>	<u>579,234</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 7,514,885</u>	<u>\$ 7,334,313</u>	<u>\$ 14,283,673</u>	<u>\$ 582,232</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to the Enterprise Funds Change in Net Position of Business-Type Activities				

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION — PROPRIETARY FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

Nonmajor Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ -	\$ 2,551,638	\$ -
-	(1,910,983)	-
332,892	9,534,348	1,851,424
1,792	369,420	12,192
334,684	10,544,423	1,863,616
121,994	2,297,948	88,370
12,343	623,440	50,172
45,348	3,955,921	178,933
56,870	1,584,389	366,254
-	-	1,201,234
21,846	217,085	5,383
258,401	8,678,783	1,890,346
76,283	1,865,640	(26,730)
211	3,257	157
(3,717)	(51,542)	(1,721)
50	206,657	-
(397)	(328,962)	(14,453)
-	-	83,556
(3,853)	(170,590)	67,539
72,430	1,695,050	40,809
-	-	169,332
(4,943)	(702,692)	-
-	38,276	-
(4,943)	(664,416)	169,332
67,487	1,030,634	210,141
2,366,778		3,146,328
\$ 2,434,265		\$ 3,356,469
	65,643	
	\$ 1,096,277	

See accompanying Notes to Basic Financial Statements.



**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts from Customers	\$ 1,018,035	\$ 1,536,953	\$ 7,022,535	\$ 2,552,499
Cash Paid to Suppliers	(403,156)	(506,835)	(4,483,323)	(2,050,435)
Cash Paid to Employees	(349,021)	(394,003)	(1,202,040)	(397,686)
Net Cash Flows Provided by Operating Activities	265,858	636,115	1,337,172	104,378
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to Other Funds	(13,416)	(93,416)	(470,917)	(120,000)
Transfers from Other Funds	-	-	-	-
Other Nonoperating Revenues	6,909	27,639	169,511	2,548
Unrestricted Donations and Grant Revenues	530	598	1,918	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(5,977)	(65,179)	(299,488)	(117,452)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	(837,945)	(962,113)	(1,488,155)	(11,853)
Proceeds from Issuance of Bonds	531,583	1,143,607	1,205,000	-
Principal Paid on Bonds	(87,469)	(322,639)	(321,000)	(49,999)
Interest, Paying Agent Fees	(14,227)	(176,644)	(114,867)	(4,112)
Net Cash Flows Used by Capital and Related Financing Activities	(408,058)	(317,789)	(719,022)	(65,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on Investments	(14,340)	8,947	(27,090)	(2,190)
Net Cash Flows Provided (Used) by Investing Activities	(14,340)	8,947	(27,090)	(2,190)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(162,517)	262,094	291,572	(81,228)
Cash and Cash Equivalents - Beginning of Year	2,649,365	721,978	3,484,341	386,506
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,486,848</u>	<u>\$ 984,072</u>	<u>\$ 3,775,913</u>	<u>\$ 305,278</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

<u>Nonmajor</u>		<u>Governmental</u>
Storm		Activities
Sewer		Internal
Utility	Totals	Service
		Funds
\$ 332,380	\$ 12,462,402	\$ 1,855,434
(81,876)	(7,525,625)	(1,411,006)
(132,129)	(2,474,879)	(89,943)
118,375	2,461,898	354,485
(4,943)	(702,692)	-
-	-	169,237
261	206,868	-
-	3,046	157
(4,682)	(492,778)	169,394
(71,699)	(3,371,765)	(817,285)
-	2,880,190	-
(6,762)	(787,869)	(53,000)
(305)	(310,155)	(17,610)
(78,766)	(1,589,599)	(887,895)
(3,439)	(38,112)	(504)
(3,439)	(38,112)	(504)
31,488	341,409	(364,520)
412,391	7,654,581	789,304
<u>\$ 443,879</u>	<u>\$ 7,995,990</u>	<u>\$ 424,784</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 7,615	\$ 272,044	\$ 1,381,211	\$ 128,487
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	308,111	391,979	800,448	26,981
(Increase) Decrease in Assets and Deferred Outflows:				
Receivables	(4,492)	(4,879)	20,027	-
Special Assessment Receivable	-	-	-	-
Due from Other Funds	(201)	(360)	(726)	-
Due from Other Governments	77	95	1,746	1,023
Inventories	(194)	2,916	(813,176)	(11,718)
Prepaid Items	(396)	19	16,332	52
Deferred Outflows of Resources - Pension	(86,086)	(97,016)	(310,875)	(90,220)
Deferred Outflows of Resources - OPEB	(605)	(605)	(1,665)	(605)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(22,701)	(2,887)	28,029	(16,749)
Contracts Payable	-	-	-	(103)
Accrued Salaries and Fringes	(925)	(1,138)	(1,649)	(1,338)
Due to Other Funds	135	(350)	(8)	(162)
Due to Other Governments	-	4,523	2,457	(2,038)
Unearned Revenue	-	-	(2,085)	-
OPEB Liability	(5,128)	(5,127)	(14,100)	(5,127)
Other Accrued Liabilities	(1,271)	(1,345)	(14,695)	-
Customer Deposits	-	-	(763)	-
Net Pension Liability	(51,088)	(59,432)	(191,204)	(52,678)
Deferred Inflows of Resources - Pension	115,761	130,432	417,941	121,327
Deferred Inflows of Resources - OPEB	7,246	7,246	19,927	7,246
Net Cash Flows Provided by Operating Activities	<u>\$ 265,858</u>	<u>\$ 636,115</u>	<u>\$ 1,337,172</u>	<u>\$ 104,378</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Capital Assets on Account	\$ 22,481	\$ 52,319	\$ 238,527	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

<u>Nonmajor</u> Storm Sewer Utility	<u>Totals</u>	Governmental Activities Internal Service Funds
\$ 76,283	\$ 1,865,640	\$ (26,730)
56,870	1,584,389	366,254
(2,294)	8,362	(10,440)
-	-	598
(10)	(1,297)	-
-	2,941	1,660
-	(822,172)	-
509	16,516	(1,153)
(33,592)	(617,789)	(25,394)
(151)	(3,631)	(151)
(2,848)	(17,156)	30,960
-	(103)	-
1,534	(3,516)	(291)
-	(385)	-
-	4,942	4
-	(2,085)	-
(1,282)	(30,764)	(1,282)
-	(17,311)	-
-	(763)	-
(23,577)	(377,979)	(15,502)
45,122	830,583	34,141
1,811	43,476	1,811
<u>\$ 118,375</u>	<u>\$ 2,461,898</u>	<u>\$ 354,485</u>

\$ 14,349      \$ 327,676      \$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Redwood Falls (the City) is a public corporation formed under Minnesota Statutes §410. As such, the City is under home rule charter regulations and applicable statutory guidelines. The governing body consists of a six-member City Council, one of which is the Mayor. The governing body is elected by voters of the City to serve four-year staggered terms.

The basic financial statements of the City of Redwood Falls have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

**A. Financial Reporting Entity**

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Redwood Falls 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 depended upon by the potential component unit.

**Component Units**

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

**Blended Component Unit**

The Port Authority was established to facilitate and assist economic development and increase the efficiency of business recruitment. The representatives of the Port Authority comprise of representatives of both city government and private enterprises. The Port Authority has the control, authority and operation of all existing and future tax increment development plans located within the City. The powers of the Port Authority are granted by state statute.

For financial reporting purposes, the Port Authority is reported as a blended component unit because it provides services entirely, or almost entirely to the City.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**A. Financial Reporting Entity (Continued)**

**Other Organizations**

The Redwood Falls Fire Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with Minnesota Statutes. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the General Fund under public safety.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the Primary Government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. 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, the governmental activities 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.

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. Basic Financial Statements (Continued)**

**2. Fund Financial Statements**

The fund financial statements provide information about the City's funds. 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 governmental 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.

**Capital Projects Fund**

The Capital Projects Fund is used to account for activity associated with significant capital projects that are not accounted for in the proprietary funds.

**Port Authority**

The Port Authority Fund is a special revenue fund used to account for activity associated with the Port Authority blended component unit.

The City reports the following proprietary funds:

**Sewer Utility Fund**

The Sewer Utility Fund is used to account for customer sewer service charges that are used to finance sewer operating expenses.

**Water Utility Fund**

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

**Electric Utility Fund**

The Electric Utility Fund is used to account for customer electrical service charges that are used to finance the electric utility operating expenses.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. Basic Financial Statements (Continued)**

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

**Liquor Fund**

The Liquor Fund is used to account for the operations of the City's liquor store.

**Storm Sewer Utility Fund**

The Storm Sewer Utility Fund is reported as a nonmajor fund and is used to account for the operations of the storm sewer charges that are used to finance storm Sewer utility expenses.

Additionally, the City reports the following funds as well as other governmental nonmajor funds aggregated in the fund financial statements:

***Internal Service Funds***

The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City or to other entities, on a cost-reimbursement basis. The City maintains two internal service funds. The Central Garage Fund is used to account for the maintenance and purchase of public works equipment used in the maintenance of City infrastructure and facilities. The Insurance Fund accounts for activities of the City's group health plan.

**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 when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

"Measurable" means the amount of the transaction can be determined. The City considers 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.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**C. Measurement Focus and Basis of Accounting (Continued)**

The City reports unearned revenue on its governmental fund balance sheets. Unearned revenue arises when resources are received prior to the incurrence of the qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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 connections with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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 appropriated budgets are adopted for all funds. Budgeted expenditure appropriations lapse at year-end.

**E. Legal Compliance - Budgets**

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

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**F. Cash and Investments**

Cash and investment balances from all funds are pooled and invested to the extent available in investments authorized by Minnesota Statutes. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool. Interest earnings are accrued at the balance sheet date.

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 the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary fund types have original maturities of 90 days or less. Therefore, the entire balance in such fund types is considered cash equivalents.

**G. Cash and Investments - Restricted**

At December 31, 2021, restricted cash and investments are assets set aside for a debt service reserve fund required under a bond agreement.

**H. Accounts Receivable and Allowance for Uncollectible Accounts**

The City has an allowance for uncollectible accounts which was \$25,000 for the General Fund, \$38,000 for the Electric Fund, and \$7,000 for the aggregate remaining funds at December 31, 2021.

**I. Property Tax Revenue Recognition**

The City Council annually adopts a tax levy and certifies it to Redwood County, Minnesota (the County) in December of each year for billing and collection in the following year. Such taxes become a lien against the property on the first Monday of January of the next year and are recorded as receivables by the City at that date.

The County is responsible for billing and collecting all property taxes for itself, the cities, the local school districts and other taxing authorities. These taxes are payable by property owners by May 15 and October 15 of each calendar year. These taxes are collected by the County and remitted to the City with each settlement.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**I. Property Tax Revenue Recognition (Continued)**

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December and the following January are recognized as revenue for the current year. Taxes and credits not received at the year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable revenue because it is not available to finance current expenditures. Unavailable revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**J. 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 in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

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

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**K. Interfund Receivables/Payables**

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

**L. Inventories**

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

**M. Property Held for Resale**

Property held for resale is for redevelopment purposes and for subsequent resale. Land held for resale is reported as an asset at the lower of cost or estimated fair value. Fair value estimates have been based on estimated realizable sales proceeds net of selling expenses.

**N. Prepaid Items**

Prepayments to vendors for services that will benefit future periods are recorded as prepaid items. Expense is allocated over the periods benefited using the consumption method.

**O. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of infrastructure acquired prior to implementation of GASB 34 is included at estimated historical costs based on the current replacement cost of a similar asset and deflated through the use of price-level indexes at the time of implementation. Donated capital assets are recorded at acquisition value (entry price) on the date of donation. The City uses a capitalization threshold of \$25,000 for buildings, building improvements, and infrastructure, and \$5,000 for all other capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**O. Capital Assets (Continued)**

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes. Estimated useful lives are as follows:

Buildings	10 to 50 Years
Infrastructure	10 to 50 Years
Machinery and Shop Equipment	5 to 10 Years
Office Equipment and Furniture	3 to 20 Years

**P. Deferred Outflows of Resources**

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs.

**Q. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and the portion of 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.

**R. Pensions**

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**S. Long-Term Obligations**

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary funds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year that the related debt was issued.

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

**T. Other Postemployment Benefits (OPEB)**

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

**U. Deferred Inflow of Resources**

In addition to liabilities, the City's governmental fund financial statements and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an acquisition of net position that applies to a future period. The City will not recognize the related revenue until a future event occurs.

**V. Fund Balance**

In the fund financial statements, governmental fund types report components of fund balance to provide information about fund balance availability for appropriation.

- **Nonspendable Fund Balance.** Represents amounts that are not in a spendable form or are required to be maintained intact.
- **Restricted Fund Balance.** Represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**V. Fund Balance (Continued)**

- **Committed Fund Balance.** Represents constraints on spending that the government imposes upon itself by high-level formal action (resolution) prior to the close of the period. The committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- **Assigned Fund Balance.** Represents resources intended for spending for a purpose set by the governing body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. The City Council authorizes the Director of Finance & Administrative Services to assign fund balance that reflects the City's intended use of those funds.
- **Unassigned Fund Balance.** The residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. It is the City's policy that at the end of each fiscal year, the City will maintain an assigned and unassigned portion of the fund balance for cash flow not less than 50% of next year's General Fund budgeted operating expenditures.

In accordance with the City's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the City's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the City's policy to use committed first, then assigned and finally unassigned fund balance.

**W. Net Position**

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide and proprietary financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**X. 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 initially made from it that are properly applicable to 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 entity-wide statements of net position and statements of activities.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City, including its blended component unit, does not have a specific deposit policy for custodial credit risk but rather follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency.

Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The City's deposits in banks at December 31, 2021 were entirely covered by federal depository insurance and collateral in accordance with Minnesota Statutes.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. Investments**

The City may also invest idle funds as authorized by Minnesota Statutes and the City's investment policy 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 received 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 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

In addition to the above, Minnesota Statutes authorize cities to invest, under certain conditions, in commercial paper, guaranteed investment contracts, repurchase agreements, and securities lending agreements, however, the City investment policy does not allow these types of investments.

**Fair Value Measurements**

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

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. Investments (Continued)**

**Fair Value Measurements (Continued)**

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

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

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

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

The following information provides disclosures related to the City's December 31, 2021, investment balances:

**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 City's investment policy does not specifically restrict investments as to maturities.

**Investments Held with Broker**

Information about the sensitivity of the City's broker-held investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Agencies	\$ 5,676,573	\$ 111	\$ 761,839	\$ 1,894,198	\$ 3,020,425
Federated Gov Obligation Fund	25,030	25,030	-	-	-
Municipal Securities	13,983,558	715,460	1,812,968	6,831,167	4,623,963
Total	<u>\$ 19,685,161</u>	<u>\$ 740,601</u>	<u>\$ 2,574,807</u>	<u>\$ 8,725,365</u>	<u>\$ 7,644,388</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. Investments (Continued)**

**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 City's investment policy does not further limit its investing options beyond state statute.

The following chart summarizes year-end ratings for the City's investments as rated by Moody's Investors Service:

Type	Credit Quality Rating	Amount
U.S. Government Agencies	Aaa	\$ 5,676,573
Federated Gov Obligation Fund	NR	25,030
Municipal Securities	A2	520,625
Municipal Securities	A3	230,312
Municipal Securities	Aaa	3,059,402
Municipal Securities	Aa1	3,606,051
Municipal Securities	A1	102,952
Municipal Securities	Aa2	5,306,399
Municipal Securities	Aa3	1,157,817
Total		<u>\$ 19,685,161</u>

\*NR = Not Rated

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk by limiting investments to the types of securities listed in the investment policy and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with this investment policy.

**Concentration of Credit Risk**

The City places no limit on the amount that it may invest in any one issuer. The following securities exceed 5% of the City's investment portfolio:

Type	Amount	Percentage
Federal Home Loan Bank	\$ 2,782,544	14.0 %
Federal Farm Credit Bank Bond	2,315,028	11.6

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. Investments (Continued)**

**Fair Value Measurement**

City Investments are measured as follows:

	December 31, 2021	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Agencies	\$ 5,582,091	\$ -	\$ 5,582,091	\$ -
U.S. Government Agencies - Mortgage Backed	94,482	-	94,482	-
Municipal Bonds	13,983,558	-	13,983,558	-
Total Investments by Fair Value Level	19,660,131	\$ -	\$ 19,660,131	\$ -
Investments Measured at Amortized Cost:				
Federated Gov Obligation Fund	25,030			
Total Investments	\$ 19,685,161			

The Federated Government Obligation Fund is a brokered money market account that is valued at amortized cost with maturities of investments of one year or less.

**C. Financial Statement Presentation**

Deposits and investments are presented in the financial statements as follows:

	Cash and Investments	Cash and Investments - Restricted	Total
Enterprise Funds	\$ 7,454,232	\$ 541,758	\$ 7,995,990
Governmental Funds	13,347,934	-	13,347,934
Internal Service Funds	424,784	-	424,784
Total Primary Government	\$ 21,226,950	\$ 541,758	\$ 21,768,708
Petty Cash and Change Fund	\$ 2,470		
Investments	19,685,161		
Deposits	2,081,077		
Total Deposits and Investments	\$ 21,768,708		

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities, Including Internal Service Funds				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,690,384	\$ 920,510	\$ (552,514)	\$ 2,058,380
Land Improvements	100,938	-	-	100,938
Construction in Progress	455,810	537,107	(527,030)	465,887
Total Capital Assets, Not Being Depreciated	2,247,132	1,457,617	(1,079,544)	2,625,205
Capital Assets, Being Depreciated:				
Land Improvements	2,045,039	21,392	-	2,066,431
Buildings	41,985,763	80,869	(23,385,379)	18,681,253
Infrastructure	21,290,378	-	-	21,290,378
Machinery and Shop Equipment	7,997,031	1,839,718	(1,180,076)	8,656,673
Office Equipment and Furniture	189,981	-	-	189,981
Library Books	677,362	-	-	677,362
Total Capital Assets, Being Depreciated	74,185,554	1,941,979	(24,565,455)	51,562,078
Accumulated Depreciation for:				
Land Improvements	(651,957)	(108,461)	-	(760,418)
Buildings	(30,998,359)	(500,834)	23,385,379	(8,113,814)
Infrastructure	(11,731,349)	(807,357)	-	(12,538,706)
Machinery and Shop Equipment	(4,719,622)	(526,768)	539,239	(4,707,151)
Office Equipment and Furniture	(189,981)	-	-	(189,981)
Library Books	(676,193)	(1,169)	-	(677,362)
Total Accumulated Depreciation	(48,967,461)	(1,944,589)	23,924,618	(26,987,432)
Total Capital Assets, Being Depreciated, Net	25,218,093	(2,610)	(640,837)	24,574,646
Governmental Activities Capital Assets, Net	<u>\$ 27,465,225</u>	<u>\$ 1,455,007</u>	<u>\$ (1,720,381)</u>	<u>\$ 27,199,851</u>

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities</u>	
General Government	\$ 55,493
Public Safety	70,043
Highways and Streets	1,028,147
Culture and Recreation	588,277
Airport	198,184
Community Development	4,445
Total Depreciation Expense, Governmental Activities	<u>\$ 1,944,589</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Business-type capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 952,306	\$ -	\$ -	\$ 952,306
Construction in Progress	2,869,034	3,253,426	(4,764,503)	1,357,957
Total Capital Assets, Not Being Depreciated	3,821,340	3,253,426	(4,764,503)	2,310,263
Capital Assets, Being Depreciated:				
Buildings and Improvements	49,596,318	4,764,504	(62,325)	54,298,497
Machinery and Shop Equipment	7,551,529	207,917	(171,108)	7,588,338
Total Capital Assets, Being Depreciated	57,147,847	4,972,421	(233,433)	61,886,835
Accumulated Depreciation for:				
Buildings and Improvements	(21,899,864)	(1,332,322)	62,325	(23,169,861)
Machinery and Shop Equipment	(5,542,281)	(240,148)	141,691	(5,640,738)
Total Accumulated Depreciation	(27,442,145)	(1,572,470)	204,016	(28,810,599)
Total Capital Assets, Being Depreciated, Net	29,705,702	3,399,951	(29,417)	33,076,236
Business-Type Activities Capital Assets, Net	<u>\$ 33,527,042</u>	<u>\$ 6,653,377</u>	<u>\$ (4,793,920)</u>	<u>\$ 35,386,499</u>

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

<u>Business-Type Activities</u>	
Municipal Liquor Store	\$ 26,981
Water Utility	391,979
Sewer Utility	308,111
Storm Sewer Utility	56,870
Electric Utility	788,529
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,572,470</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 CITY INDEBTEDNESS**

City indebtedness at December 31, 2021 is comprised of the following:

	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Payable December 31, 2021
Governmental Activities, Including Internal Service Funds					
General Obligation Bonds:					
Refunding Bonds - Series 2014A	2/27/14	2/1/2024	.35 - 2.50%	\$ 484,042	\$ 128,989
General Obligation Bonds -Series 2020B Refunding	10/1/2020	2/1/2029	.55 - 1.3%	269,181	232,933
General Obligation Bonds -Series 2021A	5/6/2021	2/1/2042	1.0 - 2.0%	1,184,810	1,184,810
General Obligation Notes:					
Capital Impr Plan Note - Series 2020A Refunding	5/11/2020	2/1/2034	1.90%	780,000	727,000
Total Bonds and Notes				<u>2,718,033</u>	<u>2,273,732</u>
Capital Lease Payable				1,141,389	600,347
Compensated Absences Payable				-	337,009
Total Governmental Activities				<u>\$ 3,859,422</u>	<u>\$ 3,211,088</u>
Business-Type Activities					
General Obligation Bonds:					
Refunding Bonds, Series 2014A					
- Water Portion	2/27/2014	2/1/2024	.35 - 2.50%	\$ 818,675	\$ 218,164
Refunding Bonds, Series 2014A					
- Sewer Portion	2/27/2014	2/1/2024	.35 - 2.50%	517,283	137,847
General Obligation Bonds -Series 2020B Refunding					
- Water Portion	10/1/2020	2/1/2029	.55 - 1.3%	233,313	201,895
General Obligation Bonds -Series 2020B Refunding					
- Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	301,291	260,719
General Obligation Bonds -Series 2020B Refunding					
- Storm Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	50,215	43,453
General Obligation Bonds -Series 2021A					
- Water Portion	5/6/2021	2/1/2042	1.0 - 2.0%	1,143,607	1,143,607
General Obligation Bonds -Series 2021A					
- Sewer Portion	5/6/2021	2/1/2042	1.0 - 2.0%	531,583	531,583
General Obligation Revenue Bonds:					
Liquor Store Revenue					
Bonds, Series 2011A	11/10/2011	12/01/2022	1-3.5%	490,000	50,000
Electric Revenue Refunding					
Bonds, Series 2013A	3/5/2013	12/1/2027	1 - 2.5%	2,065,000	895,000
Water Revenue Bonds					
Bonds, Series 2018A	10/1/2018	2/1/2034	3 - 3.25%	720,000	645,000
Electric Revenue Bonds					
Bonds, Series 2019A	11/19/2019	12/1/2031	2.35%	2,415,000	2,057,000
Electric Revenue Bonds					
Bonds, Series 2021B	10/5/2021	12/1/2036	1.90%	1,205,000	1,205,000
Notes from Direct Borrowings:					
General Obligation Water Revenue					
Bond of 2009	11/17/2009	8/20/2039	2.936%	6,526,070	4,244,000
Total Bonds				<u>17,017,037</u>	<u>11,633,268</u>
Unamortized Bond Discount				(107,447)	(8,246)
Compensated Absences Payable				-	233,172
Total Business-Type Activities				<u>\$ 16,909,590</u>	<u>\$ 11,858,194</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds/Notes Payable:</b>					
General Obligation Bonds	\$ 442,053	\$ 1,184,810	\$ 80,131	\$ 1,546,732	\$ 83,982
General Obligation Equipment Certificates	35,000	-	35,000	-	-
General Obligation Notes	780,000	-	53,000	727,000	50,000
Capital Lease Payable	-	1,141,389	541,042	600,347	600,347
Compensated Absences Payable	304,097	311,719	278,807	337,009	162,863
Total	<u>1,561,150</u>	<u>2,637,918</u>	<u>987,980</u>	<u>3,211,088</u>	<u>897,192</u>
<b>Business-Type Activities:</b>					
<b>Bonds/Notes Payable:</b>					
General Obligation Bonds	1,061,947	1,675,190	199,869	2,537,268	209,018
General Obligation Revenue Bonds	4,058,000	1,205,000	411,000	4,852,000	485,000
G.O. Notes from Direct Borrowings	4,421,000	-	177,000	4,244,000	182,000
Compensated Absences Payable	248,272	196,746	211,846	233,172	101,715
Unamortized Bond Discount	(10,298)	-	(2,052)	(8,246)	-
Total	<u>9,778,921</u>	<u>3,076,936</u>	<u>997,663</u>	<u>11,858,194</u>	<u>977,733</u>
Total Indebtedness	<u>\$ 11,340,071</u>	<u>\$ 5,714,854</u>	<u>\$ 1,985,643</u>	<u>\$ 15,069,282</u>	<u>\$ 1,874,925</u>

The City's outstanding notes from direct borrowings related to the Water fund debt of \$4,244,000 contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy availability under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

All long-term bonded indebtedness outstanding at December 31, 2021 is backed by the full-faith and credit of the City, including special assessment bond issues.

For the governmental activities, compensated absences payable are generally liquidated by the General Fund.

**Description and Restrictions of Long-Term Debt**

*General Obligation Revenue Bonds* – These bonds were issued for improvements or projects which benefited either a specific governmental activity or enterprise funds. The bonds are payable solely from revenues generated by the related governmental activity or enterprise fund.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

**Description and Restrictions of Long-Term Debt (Continued)**

*2009 General Obligation Revenue Note* – On November 17, 2009, the City issued a note to the Minnesota Public Facilities Authority for \$6,526,070. The total amount drawn on this note was \$6,083,071. The note has a final maturity of August 20, 2039. The outstanding balance of the note bears interest at 2.936% annually. The note was issued in connection with the financing of a drinking water project.

*Liquor Store Revenue Refunding Bonds, Series 2011A* – On November 10, 2011, the City issued \$490,000 of Liquor Store Revenue Refunding Bonds, Series 2011A, which were used to prepay the November 10, 2011 through December 1, 2022 maturities of the City's Liquor Store Revenue Bonds of 2002. The reacquisition price exceeded the net carrying amount of the old debt by \$20,627.

*Electric Utility Revenue Bonds, Series 2013A* – On March 5, 2013, the City Council issued \$2,065,000 of Revenue Bonds, Series 2013A. The bond has a final maturity of December 1, 2027. The outstanding balance of the bond bears interest at 1.00% to 2.50% annually. The bond was issued in connection with funding capital improvements to the hydroelectric power generation and distribution system.

*General Obligation Refunding Bonds, Series 2014A* – On February 27, 2014, the City issued \$1,820,000 of General Obligation Refunding Bonds, Series 2014A, which were used to prepay the February 1, 2014 through February 1, 2024 maturities of the City's General Obligation Refunding Bonds, Series 2005A.

*General Obligation Water Revenue Bonds, Series 2018A* – On October 1, 2018, the City Council issued \$720,000 of Revenue Bonds, Series 2018A. The bond has a final maturity of February 1, 2034. The outstanding balance of the bond bears interest ranging from 3.00% to 3.25% annually.

*Electric Utility Revenue Refunding Bonds, Series 2019A* – On November 19, 2019, the City Council issued \$2,415,000 of Revenue Refunding Bonds, Series 2019A. The bond has a final maturity of December 1, 2031. The outstanding balance of the bond bears interest at 2.35% annually. The bond refunded the series 2011B Electric Utility Revenue Bonds. The difference in cash flows between the old and new debt will be a savings of \$139,956 over the life of the bond. The economic gain on refunding calculated on a present value basis totaled \$115,408.

*General Obligation Capital Improvement Plan Refunding Note, Series 2020A* – On May 11, 2020, the City Council issued \$780,000 of General Obligation Refunding Note, Series 2020A. The bond has a final maturity of February 1, 2034. The outstanding balance of the bond bears interest at 1.90% annually. The bond refunded the series 2013B General Obligation Improvement Plan Bonds. The difference in cash flows between the old and new debt will be a savings of \$117,533 over the life of the bond. The economic gain on refunding calculated on a present value basis totaled \$111,817.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

**Description and Restrictions of Long-Term Debt (Continued)**

*General Obligation Refunding Bond, Series 2020B* – On October 1, 2020, the City Council issued \$854,000 of General Obligation Refunding Bond, Series 2020B. The bond has a final maturity of February 1, 2029. The outstanding balance of the bond bears interest ranging from .55% to 1.30% annually. The bond refunded the series 2013C General Obligation Water and Sewer Revenue Bonds and the 2008A PIR bonds. The difference in cash flows between the old and new debt will be a savings of \$57,995 over the life of the bond. The economic gain on refunding calculated on a present value basis totaled \$56,487.

*General Obligation Bonds, Series 2021A* – On May 6, 2021, the City Council issued \$2,860,000 of General Obligation Bond, Series 2021A. The bond has a final maturity of February 1, 2042. The outstanding balance of the bond bears interest ranging from 1.0% to 2.0% annually. The bond was issued in connection with funding water and sewer projects and acquiring a fire truck.

*Electric Utility Revenue Bonds, Series 2021B* – On October 5, 2021, the City Council issued \$1,205,000 of Revenue Bonds, Series 2021B. The bond has a final maturity of December 1, 2036. The outstanding balance of the bond bears interest of 1.9% annually. The bond was issued in connection with funding improvements to the City’s electric utility.

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

Year Ending December 31,	Governmental Activities					
	General Obligation Bonds		Capital Lease Payable		General Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 83,982	\$ 19,299	\$ 600,347	\$ 9,148	\$ 50,000	\$ 13,338
2023	206,517	14,576	-	-	51,000	12,379
2024	208,033	12,035	-	-	52,000	11,400
2025	167,194	9,983	-	-	53,000	10,403
2026	150,173	8,452	-	-	54,000	9,386
2027-2031	730,833	19,137	-	-	284,000	31,084
2032-2034	-	-	-	-	183,000	5,254
Total	<u>\$ 1,546,732</u>	<u>\$ 83,482</u>	<u>\$ 600,347</u>	<u>\$ 9,148</u>	<u>\$ 727,000</u>	<u>\$ 93,244</u>

Year Ending December 31,	Business-Type Activities					
	General Obligation Bonds		General Obligation Revenue Bonds		G.O. Notes From Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 209,018	\$ 40,363	\$ 485,000	\$ 115,733	\$ 182,000	\$ 124,604
2023	283,483	31,142	444,000	100,745	188,000	119,260
2024	267,967	27,107	454,000	90,798	193,000	113,741
2025	155,806	24,428	468,000	80,297	199,000	108,074
2026	118,827	23,177	478,000	69,494	205,000	102,232
2027-2031	522,167	97,731	1,908,000	194,513	1,117,000	417,323
2032-2036	420,000	70,210	615,000	33,878	1,291,000	243,482
2037-2041	460,000	32,940	-	-	869,000	51,527
2042	100,000	1,000	-	-	-	-
Total	<u>\$ 2,537,268</u>	<u>\$ 348,098</u>	<u>\$ 4,852,000</u>	<u>\$ 685,458</u>	<u>\$ 4,244,000</u>	<u>\$ 1,280,243</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 5 OPERATING LEASES**

Effective September 2, 2014, the City entered into a 15-year operating lease with the County of Redwood to provide a location for the Law Enforcement Center. The lease has two additional 15-year options to extend. The total cost of the operating lease for the year ended December 31, 2021 was \$51,200. In addition to the lease payments, the City is required to pay \$33,725 annually over the initial term of the lease for construction contributions. The future minimum lease payments for the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 51,200
2023	51,200
2024	51,200
2025	51,200
2026	51,200
2027-2029	153,600
Total	<u>\$ 409,600</u>

**NOTE 6 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

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

**1. General Employees Retirement Plan**

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

**2. Public Employees Police and Fire Plan**

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

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

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. Police and Fire Plan Benefits**

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

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

**C. Contributions**

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

**1. General Employee Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021 were \$268,390. The contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Fund Contributions**

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$163,727. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs**

**1. General Employee Fund Pension Costs**

At December 31, 2021, the City reported a liability of \$2,075,438 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$63,400.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0486% at the end of the measurement period and .0475% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 2,075,438
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	63,400
Total	<u>\$ 2,138,838</u>

For the year ended December 31, 2021, the City recognized pension expense (revenue) of (\$69,532) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$5,115 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2021, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 12,751	\$ 63,514
Changes in Actuarial Assumptions	1,267,219	45,910
Net Difference Between Projected and Actual on Pension Plan Investments	-	1,797,417
Changes in Proportion	50,178	114,822
City Contributions Subsequent to the Measurement Date	143,592	-
Total	<u>\$ 1,473,740</u>	<u>\$ 2,021,663</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employee Fund Pension Costs (Continued)**

\$143,592 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>
2022	\$ (160,309)
2023	(41,515)
2024	559
2025	(490,250)

**2. Police and Fire Fund Pension Costs**

At December 31, 2021, the City reported a liability of \$572,745 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0742% at the end of the measurement period and 0.0722% percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

**CITY OF REDWOOD FALLS, MINNESOTA  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

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

For the year ended June 30, 2021, the City recognized pension expense (revenue) of (\$50,247) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$4,687 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$6,678 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's Proportionate Share of the Net Pension Liability	\$ 572,745
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	25,737
Total	\$ 598,482

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 110,002	\$ -
Changes in Actuarial Assumptions	841,786	314,688
Net Difference Between Projected and Actual on Pension Plan Investments	-	1,094,371
Changes in Proportion City Contributions Subsequent to the Measurement Date	100,406	97,896
Total	\$ 1,144,099	\$ 1,506,955



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

\$91,905 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>
2022	\$ (396,335)
2023	(71,447)
2024	(55,445)
2025	(121,360)
Thereafter	189,826

**3. Summary**

The aggregate amount of net pension liability, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employees costs are associated.

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Fire Relief</u>	<u>Total</u>
Net Pension Liability	\$ 2,075,438	\$ 572,745	\$ -	\$ 2,648,183
Net Pension Asset	-	-	289,248	289,248
Deferred Outflows of Resources	1,473,740	1,144,099	19,655	2,637,494
Deferred Inflows of Resources	2,021,663	1,506,955	106,823	3,635,441
Pension Expense (Revenue)	(64,417)	(45,560)	36,508	(73,469)

**E. Total Pension Expense**

The total pension expense (revenue) for all plans recognized by the City for the year ended December 31, 2021, was (\$73,469), which includes \$36,508 for the volunteer firefighters relief association (additional information in Note 13).

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Long-Term Expected Return on Investment**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.1 %
International Equity	16.5	5.3
Fixed Income	25.0	0.75
Private Markets	25.0	5.9
Total	<u>100.0 %</u>	

**G. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**G. Actuarial Methods and Assumptions (Continued)**

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

**General Employee Fund**

Changes in actuarial assumptions:

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

**Police and Fire Plan**

Changes in actuarial assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**I. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% point lower or 1% point higher than the current discount rate:

<u>Description</u>	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
City's Proportionate Share of the General Employee Net Pension Liability	\$ 4,232,834	\$ 2,075,438	\$ 305,163
City's Proportionate Share of the Police and Fire Net Pension Liability (Asset)	1,818,370	572,745	(448,358)

**J. Pension Plan Fiduciary Net Position**

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The City operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. There are 64 active participants and 1 retired participant as of January 1, 2021. There are no inactive plan members entitled to but not receiving benefits.

Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are generally renegotiated in two or three year bargaining periods. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

The City has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the City and union representatives. Qualified employees may choose to participate in the City's insurance plan after retirement, with no contribution from the City. The City provides these benefits to retirees as required by Minnesota Statutes §471.61 subdivision 2b. The City is funding this liability on a pay-as-you-go basis. For the year ended 2021, the City contributed \$15,464 to the plan.

**C. Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of January 1, 2021, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0%
Salary	Service graded table
Health Care Trend Rates	6.5% Decreasing to 5.0% over 6 years, then to 4.0% over next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Actuarial Methods and Assumptions (Continued)**

The actuarial assumptions used in the January 1, 2021 valuation were based on the Public Employees Retirement Association of Minnesota actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The most recent four-year experience study used for the Police and Fire Plan valuation was completed in 2016.

The discount rate used to measure the total OPEB liability was 2.0%. The discount rate is equal to the 20-Year AA rated Municipal Bond Yield.

Since the most recent OPEB valuation, the following changes in assumptions have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.
- The retirement and withdrawal tables for non-Police employees were updated.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.00%.

**D. Changes in Total OPEB Liability**

Balance as of January 1, 2021	\$	580,708
Changes for the Year:		
Service Cost		52,435
Interest		23,583
Assumption Changes		22,183
Differences between Expected and Actual Experience		(153,616)
Benefit Payments		(25,338)
Net Change in Total OPEB Liability		(80,753)
Balance as of December 31, 2021	\$	499,955

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 537,591	\$ 499,955	\$ 464,030

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Changes in Total OPEB Liability (Continued)**

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower (5.5% decreasing to 4.0%, then to 3.0% ) or 1% higher (7.5% decreasing to 6.00%, then to 5.0%) than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Medical Trend Rate			
Total OPEB Liability	\$ 440,466	\$ 499,955	\$ 570,673

For the year ended December 31, 2021, the City recognized OPEB expense of \$39,306. The OPEB liability is typically liquidated by the individual activity in which the employees costs are associated.

At December 31, 2021, the City reported deferred outflows and deferred inflows of resources, from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Liability	\$ -	\$ 203,884
Changes in Actuarial Assumptions	19,410	11,654
City Contributions Subsequent to the Measurement Date	15,464	-
Total	\$ 34,874	\$ 215,538

\$15,464 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

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

<u>Year Ending December 31,</u>	<u>OPEB Amount</u>
2022	\$ (36,712)
2023	(36,712)
2024	(36,712)
2025	(36,706)
2026	(16,429)
2027	(16,429)
Thereafter	(16,428)

**CITY OF REDWOOD FALLS, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

**NOTE 8 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Balances**

The City has deficit fund balances at December 31, 2021 in the following funds:

	<u>Fund Balance (Deficit)</u>
Airport Capital Project Fund	\$ (165,953)
Debt Service	(1,107)
TIF #10-1 Runnings Redevelopment	(724,645)

The City intends to fund these deficits through transfers/advances from other funds, additional property tax levies and various other sources.

**Excess of Expenditures over Appropriations**

Expenditures exceeded budget in the following funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 6,441,550	\$ 6,475,540	\$ 33,990
Port Authority	57,897	63,437	5,540

The over expenditures were approved by council and funded by existing fund balance.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 9 INTERFUND**

**Due To/Due From**

Individual fund receivable and payable balances at December 31, 2021 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,442	\$ 18,776
Capital Projects Fund	139,862	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	1,063
Airport	-	1,031
Capital Project Fund:		
Airport	-	139,862
Debt Service Fund:		
Community Center Bonds	-	1,442
Enterprise Funds:		
Sewer Utility	501	11,126
Water Utility	904	4,346
Electric Utility	37,347	197
Municipal Liquor Store	-	1,401
Nonmajor Enterprise Funds:		
Storm Sewer Utility	351	-
Internal Service Fund:		
Central Garage	-	1,163
Total	<u>\$ 180,407</u>	<u>\$ 180,407</u>

Interfund receivables represent the elimination of negative cash between funds, as well as interfund borrowing to finance improvement projects and interfund utility bills.

**Advances**

Advances at December 31, 2021 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 724,645	\$ -
TIF #10-1 Runnings Redevelopment Fund	-	724,645
Total	<u>\$ 724,645</u>	<u>\$ 724,645</u>

Interfund advances represent the money borrowed from the General Fund to help fund the Eastwood/Union Drive – Runnings project. The interfund advance will be paid back through revenue collected by the TIF District over the projected 26 years.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 INTERFUND (CONTINUED)**

**Transfers**

Individual fund transfers for fiscal year 2021 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 566,547	\$ (101,747)
Capital Projects Fund	76,560	(1,199,171)
Port Authority	1,179,171	(38,277)
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Airport	20,000	(18,500)
Debt Service Funds:		
Ponderosa Business Park Bonds	38,277	-
Capital Projects Funds:		
Airport Projects Fund	10,500	-
Enterprise Funds:		
Sewer Utility	-	(13,416)
Water Utility	-	(93,416)
Electric Utility	-	(470,917)
Municipal Liquor Store	-	(120,000)
Nonmajor Enterprise Funds:		
Storm Sewer Utility	-	(4,943)
Internal Service Funds:		
Central Garage	169,332	-
Total	<u>\$ 2,060,387</u>	<u>\$ (2,060,387)</u>

Interfund transfers are other financing sources and uses within the fund financial statements. The purpose of the transfers are to provide funding for capital improvement projects, capital outlay, and debt service.

**NOTE 10 RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2021, the City made purchases of services and supplies from one related party business owned by a Council member totaling \$3,664.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

Construction Commitments – As of December 31, 2021, the City had active construction projects related to a variety of projects including various reconstructions of streets and power plant relay replacement. Total remaining commitments under these contracts were \$2,199,735 at December 31, 2021.

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. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2021.

**NOTE 12 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 retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

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 exclusions from the insurance policies. These amounts are considered immaterial to the financial statements.

The City self-insures for a portion of the deductible related to its employee group health plan. This activity is accounted for in the Internal Service Insurance Fund. The City does not retain any risk of loss beyond the self-insured portion of the deductible. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid. The City recorded total expenses of \$1,201,234 for the year ended December 31, 2021.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 RISK MANAGEMENT (CONTINUED)**

Liability for unpaid claims is included in the self-insurance fund as claims payable.

Beginning of the Year Liability, January 1, 2021	\$ 6,923	Beginning of the Year Liability, January 1, 2020	\$ 4,170
Incurred Claims	1,195,288	Incurred Claims	997,722
Claims Paid	<u>(1,192,141)</u>	Claims Paid	<u>(994,969)</u>
End of the Year Liability, December 31, 2021	<u>\$ 10,070</u>	End of the Year Liability, December 31, 2020	<u>\$ 6,923</u>

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 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION**

**A. Plan Description**

Firefighters of the City of Redwood Falls are members of the Redwood Falls Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2021, membership includes 30 active participants and 3 terminated employees entitled to benefits but not yet receiving them. The plan issues a stand-alone financial statement.

**B. Benefits Provided**

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump-sum service pension in the amount of \$3,300 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)**

**B. Benefits Provided (Continued)**

If a member of the Volunteer Firefighters Relief Association (Association) shall become permanently or totally disabled, the Association shall pay the sum \$3,300 for each year the member was an active member of the City of Redwood Falls Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

**C. Contributions**

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

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

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$49,348 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2021 was \$-0-.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)**

**D. Pension Costs**

At December 31, 2021, the City reported an asset of \$289,248 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2021.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$36,508 for the year ended December 31, 2021. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 32,607
Changes in Actuarial Assumptions	19,655	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	74,216
Total	<u>\$ 19,655</u>	<u>\$ 106,823</u>

Deferred outflows of resources relating to pensions resulting from City contributions subsequent to the measurement date would be recognized as an addition to the pension asset in the year ended December 31, 2022, however, this amount was \$-0- for 2021. Other amounts reported as deferred outflows and inflows of resources related to the Association’s pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (18,576)
2023	(15,253)
2024	(35,397)
2025	(10,926)
Thereafter	(7,016)

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)**

**E. Actuarial Assumption**

The actuarial total pension liability was determined as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/21
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.00%
Investment Rate of Return	5.00%
20-Year Municipal Bond Yield	N/A
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of January 1, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at January 1, 2021</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.0 %	1.80 %
Fixed Income	47.0	3.20
Equities	46.0	7.10
Real Estate	1.0	6.80
Total Portfolio	100.0 %	5.00 %

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)**

**G. Pension Asset Sensitivity**

The following presents the City of Redwood Fall's proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.00%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	1 Percent Decrease	Discount Rate	1 Percent Increase
Net Pension Liability (Asset)	\$ (267,128)	\$ (289,248)	\$ (311,024)
Discount Rate	4.00 %	5.00 %	6.00 %

**H. Plan's Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained on-line at <https://ci.redwood-falls.mn.us/city-departments/fire-department/>, by writing to Redwood Falls City Hall at 333 S. Washington St. Redwood Falls, MN 56283 or by email at [info@ci.redwood-falls.mn.us](mailto:info@ci.redwood-falls.mn.us).

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

	<u>December 31, 2020 Measurement Date</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 43,185
Interest	53,768
Changes of Assumptions	16,369
Plan Changes	-
Gain or Loss	(23,264)
Benefit Payments	(61,659)
<b>Net Change in Total Pension Liability</b>	<b>28,399</b>
<b>Total Pension Liability - Beginning of Year</b>	<b>922,736</b>
<b>Total Pension Liability - End of Year (a)</b>	<b>951,135</b>
<b>Plan Fiduciary Net Position</b>	
Municipal Contributions	33,000
Nonemployer Contributions	48,968
Net Investment Income	64,325
Gain or Loss	47,212
Benefit Payments	(61,659)
<b>Net Change in Fiduciary Net Position</b>	<b>131,846</b>
<b>Fiduciary Net Position - Beginning of Year</b>	<b>1,108,537</b>
<b>Fiduciary Net Position - End of Year (b)</b>	<b>1,240,383</b>
<b>Association's Net Pension Liability/(Asset) - End of Year (a) - (b)</b>	<b>\$ (289,248)</b>



**CITY OF REDWOOD FALLS, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

**NOTE 14 CONDUIT DEBT OBLIGATIONS**

The City has issued housing revenue notes for the purpose of providing capital financing to a private enterprise. Even though the debt bears the City's name, the City is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by the private enterprise under the terms of the agreement between the City and the enterprise. The general description of the transaction and the outstanding balance at December 31, 2021, is as follows:

Enterprise	Purpose	Balance at December 31, 2021
Garnette Gardens	Construction of a Facility	\$ 6,004,726
Country Village	Construction of a Facility	636,548

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

Under its wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Southern Minnesota Municipal Power Agency (SMMPA) and Western Area Power Administration (WAPA) until April 1, 2050 and December 1, 2050, respectively. The rates are subject to review annually.

**Other**

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and therefore, no estimate of loss, if any, is determinable.

**NOTE 16 SUMMARY OF OTHER ITEMS**

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The City estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the City. No liability or provision for loss has been recorded in the December 31, 2021 financial statements in relation to these matters.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 17 TAX ABATEMENTS**

The City established a municipal redevelopment district in 2014 as authorized under Minnesota Statutes §§ 469.124 through 469.134. The Redevelopment TIF District permits the City to assist virtually any type of development or redevelopment project within the boundaries of the TIF District, as long as assistance aids in the removal of blighting conditions. The District has a maximum life of 25 years from the receipt of the first tax increment; that is, 26 TIF collections. The TIF revenues are paid to the City through the property tax collection process. Ninety percent (90%) of the tax increments generated from the TIF District must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. For the year ended December 31, 2021, the City paid excess tax increment in the amount of \$68,832. No other commitments were made by the City as a part of this agreement.

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with various entities as of December 31, 2021. Each agreement is negotiated under Minnesota Statutes sections 469.1812 through 469.1815. Under the statutes, the City may grant property tax abatements for the purpose of attracting and retaining business. The City abated taxes totaling \$43,458 for the year ending December 31, 2021.

- The City's share of the real property taxes generated from a housing project for a term of 8 years. The abatement amounted to \$40,182.
- The City's share of the property tax generated by the expansion of an assisted living facility for a term of 15 years. The abatement amounted to \$3,276.
- The City's share of the real property taxes generated from a housing project for a term of 18 years. The abatement was created during the year ended 2021, and no taxes have been abated as of December 31, 2021.

As of December 31, 2021, the City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governments.

**NOTE 18 SUBSEQUENT EVENTS**

Subsequent to year-end, the City Council approved the sale of \$3,495,000 General Obligation Street Reconstruction and Utility Revenue Bonds and \$8,000,000 General Obligation Utility Revenue Bonds. The City also signed approximately \$16,400,000 in construction commitments subsequent to year-end to be financed primarily by the proceeds of the bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF REDWOOD FALLS, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES**  
**LAST TEN MEASUREMENT PERIODS**

	Measurement Date <u>January 1, 2021</u>	Measurement Date <u>January 1, 2020</u>	Measurement Date <u>January 1, 2019</u>	Measurement Date <u>January 1, 2018</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 52,435	\$ 38,477	\$ 37,356	\$ 45,642
Interest	23,583	21,697	22,417	21,402
Assumption Changes	22,183	-	(20,396)	-
Difference between Expected and Actual Experience	(153,616)	-	(121,579)	-
Benefit Payments	<u>(25,338)</u>	<u>(23,697)</u>	<u>(30,801)</u>	<u>(25,251)</u>
Net Change in Total OPEB Liability	(80,753)	36,477	(113,003)	41,793
Total OPEB Liability - Beginning	<u>580,708</u>	<u>544,231</u>	<u>657,234</u>	<u>615,441</u>
Total OPEB Liability - Ending	<u>\$ 499,955</u>	<u>\$ 580,708</u>	<u>\$ 544,231</u>	<u>\$ 657,234</u>
 Covered Employee Payroll	 \$ 4,197,398	 \$ 4,034,499	 \$ 3,916,989	 \$ 4,180,713
 City's OPEB Liability as a Percentage of Covered Employee Payroll	 12%	 14%	 14%	 16%

Note 1: The table above will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT PERIODS**

	Measurement Date <u>June 30, 2021</u>	Measurement Date <u>June 30, 2020</u>	Measurement Date <u>June 30, 2019</u>
<b>City - General Employee Plan</b>			
City's Proportion of the Net Pension Liability	0.0486%	0.0475%	0.0492%
City's Proportionate Share of the Net Pension Liability	\$ 2,075,438	\$ 2,847,842	\$ 2,720,158
State's Proportionate Share of the Net Pension Liability Associated with the City	63,400	87,701	84,496
City's Total Net Pension Liability - General Employee Plan	<u>2,138,838</u>	<u>2,935,543</u>	<u>2,804,654</u>
City's Covered Payroll	3,503,864	3,385,893	3,480,782
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	59.23%	84.11%	78.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.06%	80.20%
<b>City - Police and Fire Plan</b>			
City's Proportion of the Net Pension Liability	0.0742%	0.0722%	0.0770%
City's Proportionate Share of the Net Pension Liability	\$ 572,745	\$ 951,673	\$ 819,742
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>25,737</u>	<u>22,419</u>	<u>-</u>
City's Total Net Pension Liability - General Employee Plan	598,482	974,092	819,742
City's Covered Payroll	876,895	815,918	812,177
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	65.32%	116.64%	100.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.66%	87.19%	89.30%

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

**CITY OF REDWOOD FALLS, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**(CONTINUED)**  
**LAST TEN MEASUREMENT PERIODS**

Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.0531%	0.0536%	0.0536%	0.0534%
\$ 2,945,770	\$ 3,421,789	\$ 4,352,054	\$ 2,767,466
96,729	43,005	56,839	-
3,042,499	3,464,794	4,408,893	2,767,466
3,576,608	3,455,396	3,329,013	3,140,523
82.36%	99.03%	130.73%	88.12%
79.50%	75.90%	68.90%	78.20%
0.0687%	0.0740%	0.0780%	0.0770%
\$ 732,271	\$ 999,088	\$ 3,130,276	\$ 874,900
-	-	-	-
732,271	999,088	3,130,276	874,900
724,646	761,498	748,809	702,076
101.05%	131.20%	418.03%	124.62%
88.80%	85.43%	63.90%	86.60%

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
LAST TEN PERIODS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>City - General Employee Plan</b>			
Statutorily Required Contribution	\$ 268,390	\$ 265,431	\$ 256,110
Contributions in Relation to the Statutorily Required Contribution	(268,390)	(265,431)	(256,110)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,578,533	\$ 3,539,080	\$ 3,414,800
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
<b>Police and Fire Plan</b>			
Statutorily Required Contribution	\$ 163,727	\$ 152,265	\$ 140,334
Contributions in Relation to the Statutorily Required Contribution	(163,727)	(152,265)	(140,334)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 925,009	\$ 860,254	\$ 866,259
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	16.20%
<b>Fire Relief Association</b>			
Statutorily Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A

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

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS (CONTINUED)  
LAST TEN PERIODS**

2018	2017	2016	2015	2014
\$ 265,811	\$ 265,404	\$ 254,391	\$ 242,627	\$ 224,719
(265,811)	(265,404)	(254,391)	(242,627)	(224,719)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,544,147	\$ 3,538,720	\$ 3,391,880	\$ 3,215,297	\$ 3,099,577
7.50%	7.50%	7.50%	7.55%	7.25%
\$ 122,905	\$ 122,382	\$ 122,796	\$ 117,065	\$ 106,258
(122,905)	(122,382)	(122,796)	(117,065)	(106,258)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 758,673	\$ 755,444	\$ 758,000	\$ 716,591	\$ 694,499
16.20%	16.20%	16.20%	16.34%	15.30%
\$ -	\$ -	\$ -	\$ 2,081	\$ 23,580
-	-	-	(2,081)	(23,580)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.



**CITY OF REDWOOD FALLS, MINNESOTA  
REDWOOD FALLS FIRE RELIEF ASSOCIATION – SCHEDULE OF  
CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS  
LAST TEN MEASUREMENT PERIODS**

	<u>December 31, 2020</u> <u>Measurement Date</u>	<u>December 31, 2019</u> <u>Measurement Date</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 43,185	\$ 42,132
Interest	53,768	51,920
Changes of Assumptions	16,369	-
Changes of Benefit Terms	-	-
Benefit Payments, Including Member Contribution Refunds	(61,659)	(64,291)
Gain or Loss	<u>(23,264)</u>	<u>-</u>
<b>Net Change in Total Pension Liability</b>	28,399	29,761
<b>Total Pension Liability - Beginning of Year</b>	<u>922,736</u>	<u>892,975</u>
<b>Total Pension Liability - End of Year (a)</b>	951,135	922,736
<b>Plan Fiduciary Net Position</b>		
Municipal Contributions	33,000	-
Nonemployer Contributions	48,968	47,109
Net Investment Income	64,325	54,089
Gain or Loss	47,212	122,354
Benefit Payments	<u>(61,659)</u>	<u>(64,291)</u>
<b>Net Change in Fiduciary Net Position</b>	131,846	159,261
<b>Fiduciary Net Position - Beginning of Year</b>	<u>1,108,537</u>	<u>949,276</u>
<b>Fiduciary Net Position - End of Year (b)</b>	<u>1,240,383</u>	<u>1,108,537</u>
<b>Association's Net Pension Liability/(Asset) - End of Year (a) - (b)</b>	<u>\$ (289,248)</u>	<u>\$ (185,801)</u>
<b>Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	130.41%	120.14%
<b>Covered Payroll</b>	N/A	N/A
<b>Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	N/A	N/A

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

**CITY OF REDWOOD FALLS, MINNESOTA  
REDWOOD FALLS FIRE RELIEF ASSOCIATION – SCHEDULE OF  
CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS (CONTINUED)  
LAST TEN MEASUREMENT PERIODS**

<u>December 31, 2018</u> <u>Measurement Date</u>	<u>December 31, 2017</u> <u>Measurement Date</u>	<u>December 31, 2016</u> <u>Measurement Date</u>	<u>December 31, 2015</u> <u>Measurement Date</u>	<u>December 31, 2014</u> <u>Measurement Date</u>
\$ 41,904	\$ 39,825	\$ 38,783	\$ 39,490	\$ 36,260
47,341	42,204	42,899	43,103	47,121
-	-	-	-	-
38,476	14,361	10,210	11,786	-
-	(18,250)	(69,977)	(202,897)	-
<u>(16,170)</u>	<u>-</u>	<u>(1,217)</u>	<u>-</u>	<u>-</u>
111,551	78,140	20,698	(108,518)	83,381
<u>781,424</u>	<u>703,284</u>	<u>682,586</u>	<u>791,104</u>	<u>707,723</u>
892,975	781,424	703,284	682,586	791,104
-	-	-	2,081	23,580
45,894	46,851	47,601	50,827	46,418
(44,878)	66,497	58,342	(6,135)	59,490
-	-	-	-	-
<u>-</u>	<u>(18,250)</u>	<u>(69,977)</u>	<u>(202,897)</u>	<u>-</u>
1,016	95,098	35,966	(156,124)	129,488
<u>948,260</u>	<u>853,162</u>	<u>817,196</u>	<u>973,320</u>	<u>843,832</u>
949,276	948,260	853,162	817,196	973,320
<u>\$ (56,301)</u>	<u>\$ (166,836)</u>	<u>\$ (149,878)</u>	<u>\$ (134,610)</u>	<u>\$ (182,216)</u>
106.30%	121.35%	121.31%	119.72%	123.03%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND  
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Taxes:				
Current and Delinquent Property Tax	\$ 2,687,095	\$ 2,687,095	\$ 2,722,889	\$ 35,794
Franchise Tax	166,000	166,000	170,861	4,861
Hotel/Motel Tax	35,000	35,000	38,143	3,143
Total Taxes	<u>2,888,095</u>	<u>2,888,095</u>	<u>2,931,893</u>	<u>43,798</u>
Intergovernmental:				
Local Government Aid	1,693,429	1,693,429	1,693,728	299
General Government	-	-	1,227	1,227
Public Safety	148,000	148,000	180,318	32,318
Culture and Recreation	-	-	7,728	7,728
Highway	92,000	92,000	100,813	8,813
Total Intergovernmental	<u>1,933,429</u>	<u>1,933,429</u>	<u>1,983,814</u>	<u>50,385</u>
Charges for Services:				
Fire Protection	60,000	60,000	63,543	3,543
Swimming Pool Fees and Concessions	152,000	152,000	152,332	332
Park Fees	56,200	56,200	81,217	25,017
Administration Fees	750	750	510	(240)
Miscellaneous General Government Charges for Service	19,240	19,240	19,559	319
Recreation Fees	85,100	85,100	68,049	(17,051)
Community Center	456,482	456,482	388,853	(67,629)
Total Charges for Services	<u>829,772</u>	<u>829,772</u>	<u>774,063</u>	<u>(55,709)</u>
Fees, Licenses, and Permits:				
Business	30,525	30,525	28,971	(1,554)
Nonbusiness	43,350	43,350	140,314	96,964
Total Fees, Licenses, and Permits	<u>73,875</u>	<u>73,875</u>	<u>169,285</u>	<u>95,410</u>
Fines and Forfeits	41,000	41,000	37,828	(3,172)
Investment Earnings (Loss)	108,100	108,100	(30,603)	(138,703)
Miscellaneous	94,654	94,654	120,237	25,583
Contributions	6,500	6,500	84,614	78,114
Total Revenues	<u>5,975,425</u>	<u>5,975,425</u>	<u>6,071,131</u>	<u>95,706</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council:				
Current:				
Personal Services	\$ 32,083	\$ 32,083	\$ 32,204	\$ 121
Materials and Supplies	400	400	255	(145)
Other Services and Charges	1,635	1,635	696	(939)
Total Mayor and Council	<u>34,118</u>	<u>34,118</u>	<u>33,155</u>	<u>(963)</u>
City Administration:				
Current:				
Personal Services	167,793	167,793	168,240	447
Materials and Supplies	5,500	5,500	4,216	(1,284)
Other Services and Charges	56,510	56,510	50,428	(6,082)
Total City Administration	<u>229,803</u>	<u>229,803</u>	<u>222,884</u>	<u>(6,919)</u>
Elections:				
Current:				
Other Services and Charges	10	10	(3)	(13)
Finance Department:				
Current:				
Personal Services	327,022	327,022	321,606	(5,416)
Materials and Supplies	9,000	9,000	9,932	932
Other Services and Charges	113,940	113,940	126,415	12,475
Total Finance Department	<u>449,962</u>	<u>449,962</u>	<u>457,953</u>	<u>7,991</u>
Management Information Systems:				
Current:				
Materials and Supplies	40,500	40,500	16,197	(24,303)
Other Services and Charges	248,173	248,173	273,847	25,674
Capital Outlay	-	-	2,685	2,685
Total Management Information Systems	<u>288,673</u>	<u>288,673</u>	<u>292,729</u>	<u>4,056</u>
Legal:				
Current:				
Personal Services	105,559	105,559	105,255	(304)
Materials and Supplies	500	500	447	(53)
Other Services and Charges	10,185	10,185	5,043	(5,142)
Total Legal	<u>116,244</u>	<u>116,244</u>	<u>110,745</u>	<u>(5,499)</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>EXPENDITURES (CONTINUED)</b>				
General Government (Continued):				
Buildings and Grounds:				
Current:				
Personal Services	\$ 16,189	\$ 16,189	\$ 4,915	\$ (11,274)
Materials and Supplies	2,500	2,500	320	(2,180)
Other Services and Charges	18	18	40	22
Total Buildings and Grounds	<u>18,707</u>	<u>18,707</u>	<u>5,275</u>	<u>(13,432)</u>
Total General Government	1,137,517	1,137,517	1,122,738	(14,779)
Public Safety:				
Police:				
Current:				
Personal Services	1,476,956	1,476,956	1,598,133	121,177
Materials and Supplies	43,800	43,800	44,999	1,199
Other Services and Charges	259,240	259,240	255,465	(3,775)
Capital Outlay	53,991	53,991	54,862	871
Total Police	<u>1,833,987</u>	<u>1,833,987</u>	<u>1,953,459</u>	<u>119,472</u>
Fire Department:				
Current:				
Personal Services	62,136	62,136	55,283	(6,853)
Materials and Supplies	22,500	22,500	32,126	9,626
Other Services and Charges	141,675	141,675	127,049	(14,626)
Total Fire Department	<u>226,311</u>	<u>226,311</u>	<u>214,458</u>	<u>(11,853)</u>
Protective Inspections:				
Current:				
Personal Services	92,042	92,042	88,145	(3,897)
Materials and Supplies	900	900	336	(564)
Other Services and Charges	10,757	10,757	11,342	585
Total Protective Inspections	<u>103,699</u>	<u>103,699</u>	<u>99,823</u>	<u>(3,876)</u>
Total Public Safety	2,163,997	2,163,997	2,267,740	103,743

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>EXPENDITURES (CONTINUED)</b>				
Highways and Streets:				
Public Works Project Coordinator:				
Current:				
Personal Services	\$ 32,389	\$ 32,389	\$ 36,097	\$ 3,708
Materials and Supplies	900	900	344	(556)
Other Services and Charges	5,284	5,284	4,084	(1,200)
Total Engineering	<u>38,573</u>	<u>38,573</u>	<u>40,525</u>	<u>1,952</u>
Streets and Alleys:				
Current:				
Personal Services	336,707	336,707	328,615	(8,092)
Materials and Supplies	185,600	185,600	212,419	26,819
Other Services and Charges	637,620	637,620	549,298	(88,322)
Capital Outlay	-	-	117,000	117,000
Total Streets and Alleys	<u>1,159,927</u>	<u>1,159,927</u>	<u>1,207,332</u>	<u>47,405</u>
Total Highways and Streets	<u>1,198,500</u>	<u>1,198,500</u>	<u>1,247,857</u>	<u>49,357</u>
Culture and Recreation:				
Senior Citizens Center:				
Current:				
Other Services and Charges	5,050	5,050	944	(4,106)
Parks and Recreation:				
Current:				
Personal Services	937,685	937,685	893,576	(44,109)
Materials and Supplies	106,950	106,950	89,178	(17,772)
Other Services and Charges	573,883	573,883	535,150	(38,733)
Capital Outlay	-	-	83,647	83,647
Total Parks and Recreation	<u>1,618,518</u>	<u>1,618,518</u>	<u>1,601,551</u>	<u>(16,967)</u>
Pool:				
Current:				
Personal Services	137,056	137,056	107,879	(29,177)
Materials and Supplies	39,800	39,800	32,907	(6,893)
Other Services and Charges	72,000	72,000	48,875	(23,125)
Total Pool	<u>248,856</u>	<u>248,856</u>	<u>189,661</u>	<u>(59,195)</u>
Total Culture and Recreation	<u>1,872,424</u>	<u>1,872,424</u>	<u>1,792,156</u>	<u>(80,268)</u>
Economic Development:				
Current:				
Other Services and Charges	<u>69,112</u>	<u>69,112</u>	<u>45,049</u>	<u>(24,063)</u>
Total Expenditures	<u>6,441,550</u>	<u>6,441,550</u>	<u>6,475,540</u>	<u>33,990</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (466,125)	\$ (466,125)	\$ (404,409)	\$ 61,716
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	566,547	566,547	566,547	-
Transfers Out	<u>(33,187)</u>	<u>(33,187)</u>	<u>(101,747)</u>	<u>(68,560)</u>
Total Other Financing Sources (Uses)	<u>533,360</u>	<u>533,360</u>	<u>464,800</u>	<u>(68,560)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ 67,235</u>	<u>\$ 67,235</u>	60,391	<u>\$ (6,844)</u>
Fund Balance - Beginning of Year			<u>6,466,244</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 6,526,635</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE — BUDGET AND ACTUAL — PORT AUTHORITY FUND  
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Local Tax Levies	\$ 88,276	\$ 88,276	\$ 89,014	\$ 738
Intergovernmental	-	-	87	87
Charges for Services	-	-	30,450	30,450
Investment Earnings (Loss)	8,000	8,000	(30,163)	(38,163)
Miscellaneous	-	-	727	727
Total Revenues	<u>96,276</u>	<u>96,276</u>	<u>90,115</u>	<u>(6,161)</u>
<b>EXPENDITURES</b>				
Current:				
Economic Development	<u>57,897</u>	<u>57,897</u>	<u>63,437</u>	<u>5,540</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	38,379	38,379	26,678	(11,701)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	1,179,171	1,179,171
Transfers Out	<u>(38,882)</u>	<u>(38,882)</u>	<u>(38,277)</u>	<u>605</u>
Total Other Financing Sources (Uses)	<u>(38,882)</u>	<u>(38,882)</u>	<u>1,140,894</u>	<u>1,179,776</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ (503)</u>	<u>\$ (503)</u>	1,167,572	<u>\$ 1,168,075</u>
Fund Balance - Beginning of Year			<u>2,246,105</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 3,413,677</u>	

See accompanying Notes to Required Supplementary Information.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 1 BUDGETS**

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

**NOTE 2 LEGAL COMPLIANCE - BUDGETS**

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

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

**Excess of Expenditures over Appropriations**

Expenditures exceeded budget in the following funds:

	Appropriations	Expenditures	Excess
General Fund	\$ 6,441,550	\$ 6,475,540	\$ 33,990
Port Authority	57,897	63,437	5,540

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

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

**A. General Employees Fund**

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS,  
ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**A. General Employees Fund (Continued)**

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**A. General Employees Fund (Continued)**

**2019 Changes (Continued)**

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**A. General Employees Fund (Continued)**

**2017 Changes (Continued)**

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**B. Police and Fire Fund**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**B. Police and Fire Fund (Continued)**

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00% for vested and nonvested, deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00% to 60.00%.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 3 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**B. Police and Fire Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 4 OPEB – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

**2021 Changes**

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.
- The retirement and withdrawal tables for non-Police employees were updated.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

- There have been no changes in actuarial assumptions or plan provisions since the prior valuation.

**2019 Changes**

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for Police and Fire Personnel were updated.
- The discount rate was changed from 3.30% to 3.80%.
- These changes decreased the liability by \$20,396.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.50% to 3.30%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.



## **SUPPLEMENTARY INFORMATION**

**COMBINING FUND FINANCIAL STATEMENTS**

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

<b>ASSETS</b>	Special Revenue		
	Library	Airport	Fire Equipment Replacement
Cash and Investments	\$ 384,710	\$ 26,901	\$ 213,150
Accounts Receivable, Net	-	4,081	-
Property Taxes Receivable	9,115	-	-
Accrued Interest Receivable	1,316	-	-
Due from Other Governments	2,583	29,536	665,068
Prepaid Items	3,415	5,008	1,141,458
Notes Receivable	-	-	-
Inventory	-	30,076	-
	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 401,139</b>	<b>\$ 95,602</b>	<b>\$ 2,019,676</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 5,204	\$ 2,243	\$ 24,771
Contracts Payable	1,745	-	-
Accrued Salaries and Fringes	5,747	1,534	-
Advances from Other Funds	-	-	-
Due to Other Funds	1,063	1,031	-
Due to Other Governments	21	-	-
Unearned Revenue	800	6,591	74,140
	<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<b>14,580</b>	<b>11,399</b>	<b>98,911</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Collected for a Subsequent Period	1,557	-	-
Unavailable Revenue - Taxes	6,777	-	-
Unavailable Revenue - Loans	-	-	-
Unavailable Revenue - Grants and Other	-	3,966	-
	<b>Total Deferred Inflows of Resources</b>	<b>Total Deferred Inflows of Resources</b>	<b>Total Deferred Inflows of Resources</b>
	<b>8,334</b>	<b>3,966</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Prepaid Items	3,415	5,008	1,141,458
Inventory	-	30,076	-
Restricted For:			
Debt Service	-	-	-
Library	374,810	-	-
Revolving Loans	-	-	-
Committed	-	45,153	779,307
Unassigned	-	-	-
	<b>Total Fund Balances (Deficit)</b>	<b>Total Fund Balances (Deficit)</b>	<b>Total Fund Balances (Deficit)</b>
	<b>378,225</b>	<b>80,237</b>	<b>1,920,765</b>
	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>
	<b>\$ 401,139</b>	<b>\$ 95,602</b>	<b>\$ 2,019,676</b>

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2021**

Special Revenue (Continued)

Revolving Loan	Downtown Loan Program	TIF #9-1 Daktronics Expansion	TIF #10-1 Runnings Redevelopment	Hospital Building	Special Revenue Subtotal
\$ 626,689	\$ 34,740	\$ 788	\$ -	\$ 1,148,835	\$ 2,435,813
-	-	-	-	1	4,082
-	-	-	-	-	9,115
3,405	229	-	-	-	4,950
-	57,931	-	-	-	755,118
-	-	-	-	5	1,149,886
-	114,388	-	-	-	114,388
-	-	-	-	-	30,076
<u>\$ 630,094</u>	<u>\$ 207,288</u>	<u>\$ 788</u>	<u>\$ -</u>	<u>\$ 1,148,841</u>	<u>\$ 4,503,428</u>
\$ -	\$ 57,931	\$ -	\$ -	-	\$ 90,149
-	-	-	-	-	1,745
-	-	-	-	-	7,281
-	-	-	724,645	-	724,645
-	-	-	-	-	2,094
-	-	-	-	-	21
-	-	-	-	-	81,531
-	57,931	-	724,645	-	907,466
-	-	-	-	-	-
-	-	-	-	-	1,557
-	-	-	-	-	6,777
-	114,388	-	-	-	114,388
-	-	-	-	-	3,966
-	114,388	-	-	-	126,688
-	-	-	-	5	1,149,886
-	-	-	-	-	30,076
-	-	-	-	-	-
-	-	-	-	-	374,810
630,094	34,969	-	-	-	665,063
-	-	788	-	1,148,836	1,974,084
-	-	-	(724,645)	-	(724,645)
<u>630,094</u>	<u>34,969</u>	<u>788</u>	<u>(724,645)</u>	<u>1,148,841</u>	<u>3,469,274</u>
<u>\$ 630,094</u>	<u>\$ 207,288</u>	<u>\$ 788</u>	<u>\$ -</u>	<u>\$ 1,148,841</u>	<u>\$ 4,503,428</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2021**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Subtotal
<b>ASSETS</b>			
Cash and Investments	\$ 8	\$ 24	\$ 32
Accounts Receivable	-	-	-
Property Taxes Receivable	1,172	-	1,172
Accrued Interest Receivable	-	-	-
Due from Other Governments	199	-	199
Prepaid Items	11	-	11
Notes Receivable	-	-	-
Inventory	-	-	-
<b>Total Assets</b>	<b>\$ 1,390</b>	<b>\$ 24</b>	<b>\$ 1,414</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Contracts Payable	-	-	-
Accrued Salaries and Fringes	-	-	-
Advances from Other Funds	-	-	-
Due to Other Funds	1,442	-	1,442
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
<b>Total Liabilities</b>	<b>1,442</b>	<b>-</b>	<b>1,442</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Collected for a Subsequent Period	199	-	199
Unavailable Revenue - Taxes	880	-	880
Unavailable Revenue - Loans	-	-	-
Unavailable Revenue - Grants	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>1,079</b>	<b>-</b>	<b>1,079</b>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Prepaid Items	11	-	11
Inventory	-	-	-
Restricted For:			
Debt Service	-	24	24
Library	-	-	-
Revolving Loans	-	-	-
Committed	-	-	-
Unassigned	(1,142)	-	(1,142)
<b>Total Fund Balances (Deficit)</b>	<b>(1,131)</b>	<b>24</b>	<b>(1,107)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,390</b>	<b>\$ 24</b>	<b>\$ 1,414</b>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 DECEMBER 31, 2021**

Capital Projects

Airport Fund	Total
\$ 1,320	\$ 2,437,165
-	4,082
-	10,287
-	4,950
203,779	959,096
-	1,149,897
-	114,388
-	30,076
<u>\$ 205,099</u>	<u>\$ 4,709,941</u>
\$ 24,411	\$ 114,560
3,000	4,745
-	7,281
-	724,645
139,862	143,398
-	21
-	81,531
<u>167,273</u>	<u>1,076,181</u>
-	1,756
-	7,657
-	114,388
203,779	207,745
<u>203,779</u>	<u>331,546</u>
-	1,149,897
-	30,076
-	24
-	374,810
-	665,063
-	1,974,084
(165,953)	(891,740)
<u>(165,953)</u>	<u>3,302,214</u>
<u>\$ 205,099</u>	<u>\$ 4,709,941</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2021**

	Special Revenue		
	Library	Airport	Fire Equipment Replacement
<b>REVENUES</b>			
Local Tax Levies	\$ 383,018	\$ -	\$ -
Intergovernmental	41,147	27,970	72,264
Charges for Services	4,067	287,295	-
Fines and Forfeits	3,595	-	-
Investment Earnings (Loss)	(1,643)	(214)	338
Contributions	1,876	-	7,324
Miscellaneous	3,668	9,255	-
Total Revenues	<u>435,728</u>	<u>324,306</u>	<u>79,926</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Public Safety	-	-	614
Culture and Recreation	410,429	-	-
Economic Development	-	-	-
Airport	-	319,048	-
Capital Outlay	-	-	32,095
Debt Service:			
Principal	-	-	576,042
Interest	-	-	724
Fiscal Agent Fees	-	-	19,125
Total Expenditures	<u>410,429</u>	<u>319,048</u>	<u>628,600</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	25,299	5,258	(548,674)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	20,000	-
Transfers Out	-	(18,500)	-
Loan Proceeds	-	-	1,141,389
Issuance of Debt	-	-	1,184,810
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,500</u>	<u>2,326,199</u>
<b>CHANGE IN FUND BALANCES</b>	25,299	6,758	1,777,525
Fund Balances (Deficit) - Beginning of Year	<u>352,926</u>	<u>73,479</u>	<u>143,240</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 378,225</u>	<u>\$ 80,237</u>	<u>\$ 1,920,765</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

Special Revenue (Continued)

Revolving Loan	Downtown Loan Program	TIF #9-1 Daktronics Expansion	TIF #10-1 Runnings Redevelopment	Hospital Building	Special Revenue Subtotal
\$ -	\$ -	\$ -	\$ 68,832	\$ -	\$ 451,850
-	67,486	-	-	-	208,867
-	-	-	-	-	291,362
-	-	-	-	-	3,595
(5,038)	(114)	-	-	-	(6,671)
-	-	-	-	-	9,200
2,239	3,020	-	-	10	18,192
<u>(2,799)</u>	<u>70,392</u>	<u>-</u>	<u>68,832</u>	<u>10</u>	<u>976,395</u>
-	-	-	-	32,630	32,630
-	-	-	-	-	614
-	-	-	-	-	410,429
9,907	67,553	68	341	-	77,869
-	-	-	-	-	319,048
-	-	-	-	-	32,095
-	-	-	-	-	576,042
-	-	-	22,768	-	23,492
-	-	-	-	-	19,125
<u>9,907</u>	<u>67,553</u>	<u>68</u>	<u>23,109</u>	<u>32,630</u>	<u>1,491,344</u>
(12,706)	2,839	(68)	45,723	(32,620)	(514,949)
-	-	-	-	-	20,000
-	-	-	-	-	(18,500)
-	-	-	-	-	1,141,389
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,184,810</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,327,699</u>
(12,706)	2,839	(68)	45,723	(32,620)	1,812,750
<u>642,800</u>	<u>32,130</u>	<u>856</u>	<u>(770,368)</u>	<u>1,181,461</u>	<u>1,656,524</u>
<u>\$ 630,094</u>	<u>\$ 34,969</u>	<u>\$ 788</u>	<u>\$ (724,645)</u>	<u>\$ 1,148,841</u>	<u>\$ 3,469,274</u>



**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Subtotal
<b>REVENUES</b>			
Local Tax Levies	\$ 49,060	\$ -	\$ 49,060
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Investment Earnings (Loss)	(1,250)	-	(1,250)
Contributions	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>47,810</u>	<u>-</u>	<u>47,810</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	-
Airport	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	43,883	36,248	80,131
Interest	3,373	1,634	5,007
Fiscal Agent Fees	199	-	199
Total Expenditures	<u>47,455</u>	<u>37,882</u>	<u>85,337</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	355	(37,882)	(37,527)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	38,277	38,277
Transfers Out	-	-	-
Insurance Proceeds	-	-	-
Issuance of Debt	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>38,277</u>	<u>38,277</u>
<b>CHANGE IN FUND BALANCES</b>	355	395	750
Fund Balances (Deficit) - Beginning of Year	<u>(1,486)</u>	<u>(371)</u>	<u>(1,857)</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ (1,131)</u>	<u>\$ 24</u>	<u>\$ (1,107)</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2021**

Capital Projects

<u>Airport Fund</u>	<u>Total</u>
\$ -	\$ 500,910
-	208,867
-	291,362
-	3,595
(5,902)	(13,823)
-	9,200
-	18,192
<u>(5,902)</u>	<u>1,018,303</u>
-	32,630
-	614
-	410,429
-	77,869
-	319,048
79,292	111,387
-	656,173
-	28,499
-	19,324
<u>79,292</u>	<u>1,655,973</u>
(85,194)	(637,670)
10,500	68,777
-	(18,500)
-	1,141,389
-	1,184,810
<u>10,500</u>	<u>2,376,476</u>
(74,694)	1,738,806
<u>(91,259)</u>	<u>1,563,408</u>
<u>\$ (165,953)</u>	<u>\$ 3,302,214</u>

**CITY OF REDWOOD FALLS, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION — INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2021**

	Central Garage Fund	Self- Insurance Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 374,016	\$ 50,768	\$ 424,784
Accounts Receivable, Net	61	77,094	77,155
Accrued Interest Receivable	713	7	720
Due from Other Governmental Units	725	-	725
Prepaid Items	6,213	-	6,213
Total Current Assets	381,728	127,869	509,597
<b>CAPITAL ASSETS</b>			
Land	51,900	-	51,900
Construction in Progress	53,749	-	53,749
Buildings and Improvements	1,395,395	-	1,395,395
Machinery and Equipment	4,420,660	-	4,420,660
Total Capital Assets	5,921,704	-	5,921,704
Less: Accumulated Depreciation	(2,217,931)	-	(2,217,931)
Net Capital Assets	3,703,773	-	3,703,773
Total Assets	4,085,501	127,869	4,213,370
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	29,678	-	29,678
Other Postemployment Benefits Related	545	-	545
Total Deferred Outflows of Resources	30,223	-	30,223
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	37,194	10,070	47,264
Due to Other Funds	1,163	-	1,163
Due to Other Governments	4	-	4
Accrued Salaries and Fringes	1,838	-	1,838
Accrued Interest Payable	5,743	-	5,743
Compensated Absences - Current	5,680	-	5,680
Other Postemployment Benefits Obligation - Current	241	-	241
Bonds Payable - Current	50,000	-	50,000
Total Current Liabilities	101,863	10,070	111,933
<b>NONCURRENT LIABILITIES</b>			
Compensated Absences	7,149	-	7,149
Other Postemployment Benefits Obligation	5,109	-	5,109
Net Pension Liability	41,795	-	41,795
Bonds Payable - Long-Term	677,000	-	677,000
Total Noncurrent Liabilities	731,053	-	731,053
Total Liabilities	832,916	10,070	842,986
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	40,712	-	40,712
Other Postemployment Benefits Related	3,426	-	3,426
Total Deferred Inflows of Resources	44,138	-	44,138
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,976,773	-	2,976,773
Unrestricted	261,897	117,799	379,696
Total Net Position	\$ 3,238,670	\$ 117,799	\$ 3,356,469

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION — INTERNAL SERVICE FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Central Garage Fund	Self- Insurance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 663,199	\$ 1,188,225	\$ 1,851,424
Miscellaneous	12,192	-	12,192
Total Operating Revenues	<u>675,391</u>	<u>1,188,225</u>	<u>1,863,616</u>
<b>OPERATING EXPENSES</b>			
Personal Services	88,370	-	88,370
Professional Services	50,172	-	50,172
Supplies	178,933	-	178,933
Depreciation	366,254	-	366,254
Benefits or Claims	-	1,201,234	1,201,234
Miscellaneous	5,383	-	5,383
Total Operating Expenses	<u>689,112</u>	<u>1,201,234</u>	<u>1,890,346</u>
<b>OPERATING INCOME (LOSS)</b>	(13,721)	(13,009)	(26,730)
<b>OTHER INCOME (EXPENSE)</b>			
Intergovernmental	157	-	157
Investment Earnings	(1,933)	212	(1,721)
Gain on Sale of Capital Assets	83,556	-	83,556
Interest Expense	(14,453)	-	(14,453)
Total Other Income (Expense)	<u>67,327</u>	<u>212</u>	<u>67,539</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	53,606	(12,797)	40,809
Transfers In	<u>169,332</u>	<u>-</u>	<u>169,332</u>
<b>CHANGE IN NET POSITION</b>	222,938	(12,797)	210,141
Net Position - Beginning of Year	<u>3,015,732</u>	<u>130,596</u>	<u>3,146,328</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,238,670</u>	<u>\$ 117,799</u>	<u>\$ 3,356,469</u>

**CITY OF REDWOOD FALLS, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS — INTERNAL SERVICE FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Central Garage Fund	Self- Insurance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 683,756	\$ 1,171,678	\$ 1,855,434
Cash Paid to Suppliers	(212,919)	(1,198,087)	(1,411,006)
Cash Paid to Employees	(89,943)	-	(89,943)
Net Cash Flows Provided (Used) by Operating Activities	<u>380,894</u>	<u>(26,409)</u>	<u>354,485</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental Revenue	157	-	157
Transfers from Other Funds	169,237	-	169,237
Net Cash Flows Provided by Noncapital Financing Activities	<u>169,394</u>	<u>-</u>	<u>169,394</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(817,285)	-	(817,285)
Principal Paid on Bonds	(53,000)	-	(53,000)
Interest, Paying Agent Fees	(17,610)	-	(17,610)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(887,895)</u>	<u>-</u>	<u>(887,895)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	(1,024)	520	(504)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(338,631)	(25,889)	(364,520)
Cash and Cash Equivalents - Beginning of Year	<u>712,647</u>	<u>76,657</u>	<u>789,304</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 374,016</u>	<u>\$ 50,768</u>	<u>\$ 424,784</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (13,721)	\$ (13,009)	\$ (26,730)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:			
Depreciation	366,254	-	366,254
(Increase) Decrease in Assets and Deferred Outflows:			
Receivables	6,107	(16,547)	(10,440)
Special Assessments Receivable	598	-	598
Due from Other Governments	1,660	-	1,660
Prepaid Items	(1,153)	-	(1,153)
Deferred Outflows - Pension	(25,394)	-	(25,394)
Deferred Outflows - OPEB	(151)	-	(151)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	27,813	3,147	30,960
Other Accrued Liabilities	(291)	-	(291)
Net Pension Liability	(15,502)	-	(15,502)
OPEB Liability	(1,282)	-	(1,282)
Deferred Inflows - Pension	34,141	-	34,141
Deferred Inflows - OPEB	1,811	-	1,811
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 380,894</u>	<u>\$ (26,409)</u>	<u>\$ 354,485</u>

**STATISTICAL SECTION (UNAUDITED)**

**CITY OF REDWOOD FALLS, MINNESOTA**  
**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS — MUNICIPAL DEVELOPMENT**  
**DISTRICT #10-1, TAX INCREMENT FINANCIAL DISTRICT (UNAUDITED)**  
**DECEMBER 31, 2021**

	Budget	Accounted for in Prior Years	2021	Actual Over (Under) Budget
<b>SOURCES OF FUNDS</b>				
Tax Increments Received	\$ 3,664,090	\$ 345,801	\$ 68,832	\$ (3,249,457)
Interest Earnings	350,000	-	-	(350,000)
Total Sources of Funds	<u>4,014,090</u>	<u>345,801</u>	<u>68,832</u>	<u>(3,599,457)</u>
<b>USES OF FUNDS</b>				
Land/Building Acquisition	450,000	343,826	68,491	(37,683)
Site Improvements/Preparation Costs	250,000	-	-	(250,000)
Installation of Public Utilities	500,000	-	-	(500,000)
Streets and Sidewalks	1,955,259	-	-	(1,955,259)
Note Payments:				
Interest	492,422	-	-	(492,422)
Administrative Expenses	366,409	1,975	341	(364,093)
Total Uses of Funds	<u>4,014,090</u>	<u>345,801</u>	<u>68,832</u>	<u>(3,599,457)</u>
<b>DISTRICT BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
COMPARATIVE SCHEDULES OF TAX LEVIES — LAST FIVE YEARS (UNAUDITED)  
DECEMBER 31, 2021**

	For 2021 Collection		For 2020 Collection		For 2019 Collection		For 2018 Collection		For 2017 Collection	
	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity
General	\$ 2,878,029	84.657	\$ 2,780,869	88.105	\$ 2,647,035	87.275	\$ 2,530,588	87.847	\$ 2,444,319	90.163
Bonds and Interest	48,040	1.414	47,495	1.505	46,840	1.545	59,437	2.064	58,621	2.163
Total	<u>\$ 2,926,069</u>	<u>86.071</u>	<u>\$ 2,828,364</u>	<u>89.610</u>	<u>\$ 2,693,875</u>	<u>88.820</u>	<u>\$ 2,590,025</u>	<u>89.911</u>	<u>\$ 2,502,940</u>	<u>92.326</u>



**CITY OF REDWOOD FALLS, MINNESOTA  
 COMPARATIVE SCHEDULES OF TAX CAPACITY — LAST FIVE YEARS (UNAUDITED)  
 YEAR ENDED DECEMBER 31, 2021**

	<u>For 2021 Collection</u>	<u>For 2020 Collection</u>	<u>For 2019 Collection</u>	<u>For 2018 Collection</u>	<u>For 2017 Collection</u>
Real Property	\$ 3,402,692	\$ 3,189,044	\$ 3,065,006	\$ 2,915,596	\$ 2,750,255
Personal Property	59,429	56,475	57,841	54,301	51,091
Tax Increment Districts	52,770	76,828	77,426	75,926	78,052
Total	<u>\$ 3,514,891</u>	<u>\$ 3,322,347</u>	<u>\$ 3,200,273</u>	<u>\$ 3,045,823</u>	<u>\$ 2,879,398</u>

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