



**AGENDA FOR  
REGULAR CITY COUNCIL MEETING  
TUESDAY, JUNE 20, 2023 – 5:00 P.M.**

1. **Pledge of Allegiance**
2. **Call to Order**
  - Roll Call and Establishment of Quorum
3. **Approval of Agenda**
  - Council Changes
  - Staff Changes
4. **Approval of Minutes**
  - A. June 6, 2023
5. **Audience Participation** (10-minute time limit for items not on the agenda)
6. **Consent Agenda**
7. **Scheduled Public Hearings**
8. **Old Business**
9. **Regular Agenda**
  - A. 2022 City Audit Presentation
  - B. Request for Proposals for Banking Services
  - C. Police Officer Employment Offer
  - D. 4<sup>th</sup> Street Reconstruction Bid Update (verbal)
10. **Other Items and Communications**
  - A. Council Items
  - B. Staff Items
11. **Paid Bills and Claims – For Informational Purposes**
  - A. City of Redwood Falls Accounts Payable Summary
12. **Adjournment**

**MINUTES  
REGULAR COUNCIL MEETING  
CITY OF REDWOOD FALLS, MINNESOTA  
TUESDAY, JUNE 6, 2023**

Pursuant to due call and notice thereof, a regular meeting of the Redwood Falls City Council was called to order in the Municipal Chambers on Tuesday, June 6, 2023, at 5:00 p.m.

Roll call indicated Mayor Tom Quackenbush and Council Members Matt Smith, Denise Kerkhoff, Jim Sandgren, Larry Arentson, and John T. Buckley were present, constituting a quorum.

Also present were City Administrator Keith Muetzel, City Attorney Trenton Dammann, Public Works Project Coordinator Jim Doering, and Deputy City Clerk Caitlin Kodet. Finance Director Kari Klages was absent.

A motion was made by Council Member Sandgren and seconded by Council Member Smith to approve the agenda. Motion passed by unanimous vote.

A motion was made by Council Member Buckley and seconded by Council Member Kerkhoff to approve the May 16, 2023, minutes as presented. Motion passed by unanimous vote.

A motion was made by Council Member Arentson and seconded by Council Member Buckley to approve the following items on the Consent Agenda.

1. Temporary On-Sale Liquor License – Redwood Co Ag Society
2. City Assistance with Celebrate Redwood Falls – Summer Splash
3. Parade Permit for Celebrate Redwood Falls – Summer Splash

Motion passed by unanimous vote.

Public Works Project Coordinator Jim Doering introduced Resolution No. 29 of 2023 – Authorization to Execute Agreement for Professional Services.

Mr. Doering stated Resolution No. 29 of 2023 is to approve the agreement for professional services provided by Braun Intertec Corporation of St Cloud, MN to provide construction materials testing services for the 4th Street Reconstruction Project contingent on the successful bidding and award of the project. The cost for services outlined in the agreement are unit based and not to exceed \$63,543.00. Braun Intertec Corporation has been apprised of the long duration to get the 4th Street Improvement Project out for bid and has, by email, agreed to honor the initial quote dated March 28, 2023.

Mr. Doering stated two quotes were received for the project from Braun Intertec Corporation and America Engineering and Testing (AET). It is required by the Federal and State grants funding the project, for the owner to provide the Quality Assurance (QA) and Quality Control (QC) in addition to the awarded contractor. The QAQC report is subject to a federal audit. Braun Intertec Corporation has provided this service in the past for the City of Redwood Falls. AET was also asked to provide a quote for QAQC services that meet Federal reporting requirements. The quote provided by AET does not meet what is federally required by the owner. The quote pertains to the basic testing a contractor would need to provide for a non-grant funded project and as a result is priced less.

A motion was made by Council Member Sandgren and seconded by Council Member Kerkhoff to waive the reading of Resolution No. 29 of 2023 – Authorization to Execute Agreement for Professional Services with Braun Intertec Corporation. Motion passed by unanimous vote.

A motion was made by Council Member Buckley and seconded by Council Member Arentson to approve Resolution No. 29 of 2023 – Authorization to Execute Agreement for Professional Services with Braun Intertec Corporation. Motion passed by unanimous vote.

City Administrator Muetzel introduced the City Council Work Session Review.

Mr. Muetzel stated Police Chief Cotner and Officer Tucker Machart attended the work session to provide Council a brief law enforcement update and introduce Officer Machart to the Council members. Council appreciated the introduction of Officer Machart and suggested additional officers should also introduce themselves at another meeting. Shannon Guetter also attended the Work Session to provide the Council with an update on the recently formed Downtown Redevelopment Group and some goals the group has for downtown Redwood Falls.

Mr. Muetzel stated Council began the discussion for developing a strategy for marketing the Reflection Ridge Business Park to potential employers. The topic was referred to the Port Authority for additional focus. Council requested Staff seek proposals from Commercial Realtors to present to the Port Authority before discussing marketing options.

Mr. Muetzel stated the Golf Course Board Members were present at the Work Session to introduce a proposal to Council for the City to purchase and operate the Golf Course. Following the meeting, Staff researched other municipal golf courses and reported that the few courses they researched were operating with a loss annually to the cities that maintained the courses. Council indicated the Golf Course Board would need to provide additional information about the course's current operations before they would be able to make a decision. To provide the Golf Course Board with a timely response, Council agreed to make a decision by the Council meeting on July 18, 2023. Council Members indicated there is no additional information requested from City Staff at this time.

No action was taken by Council.

Bills and Claims were presented to the Council for informational purposes. No questions, comments or concerns were raised.

There being no further business, a motion was made by Council Member Sandgren and seconded by Council Member Arentson to adjourn the meeting at 5:42 p.m. Motion passed by unanimous vote.

ATTEST:

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Keith Muetzel  
City Administrator

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Tom Quackenbush  
Mayor



*We'll get you there.*

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# City of Redwood Falls, Minnesota

Audit Presentation - Exit Conference  
Year Ending December 31, 2022



# Agenda

- Introduction
- Required Communications
- Internal Control & Legal Compliance Findings
- Financial Results





# Introduction

# Team of Professionals

Your service team understands the strategic, operational, and regulatory issues impacting your organization. Each engagement team member has in-depth experience in local government accounting and auditing and is committed to providing timely, quality client service.

	<b>Role</b>	<b>Experience</b>
Miranda Wendlandt, CPA, CFE	Engagement Principal — overall engagement responsibility including planning the engagement, developing the audit approach, supervising staff, and maintaining client contact throughout the engagement and throughout the year. Responsible for client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.	15+
Liz Mickelson, CPA	Engagement Manager — lead accountant on the engagement. Assist the engagement principal with planning the engagement and performing complex audit areas. Perform a technical review of all work performed and is responsible for the review of the financial report and all related reports.	7
Elizabeth Kisch	Engagement In-Charge — responsible for the day-to-day activities for this engagement, including the supervision of all staff assigned.	5





# Required Communications

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Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# Required Communications

- See separate letter provided to council
- Key points
  - Audit provides reasonable, but not absolute assurance
  - Audit includes some accounting estimates
  - We received full cooperation from management
- Results of the Audit
  - We issued an unmodified (“clean”) opinion on the financial statements





# Internal Control and Minnesota Legal Compliance Findings

# Conclusions

- Internal Control Findings:
  - 2022-001: Material Audit Adjustment
- Minnesota Legal Compliance Findings:
  - None noted
- Single Audit –
  - Alternative compliance examination engagement performed over Coronavirus State and Local Fiscal Recovery Funds
    - City complied with the specific requirements

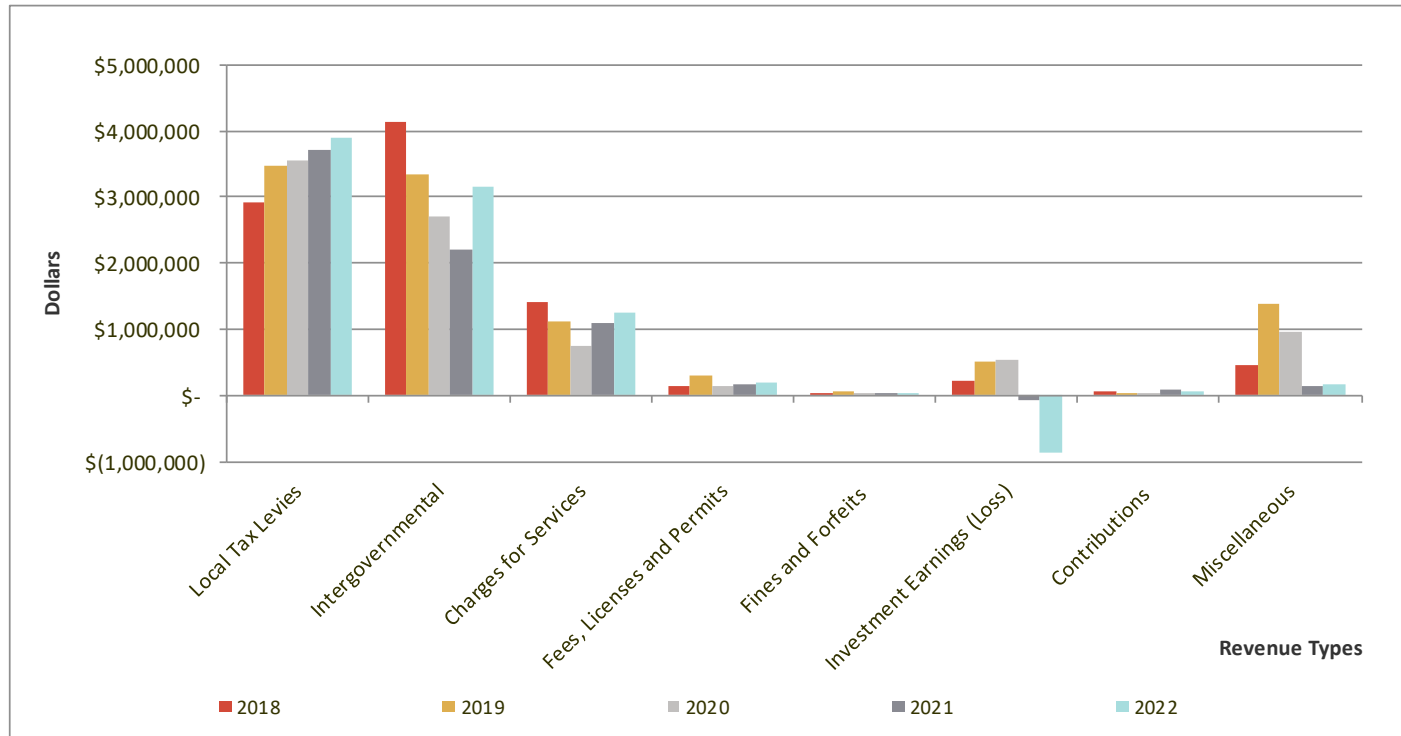




# Financial Results

# Financial Results

## Revenue Components – All Governmental Funds

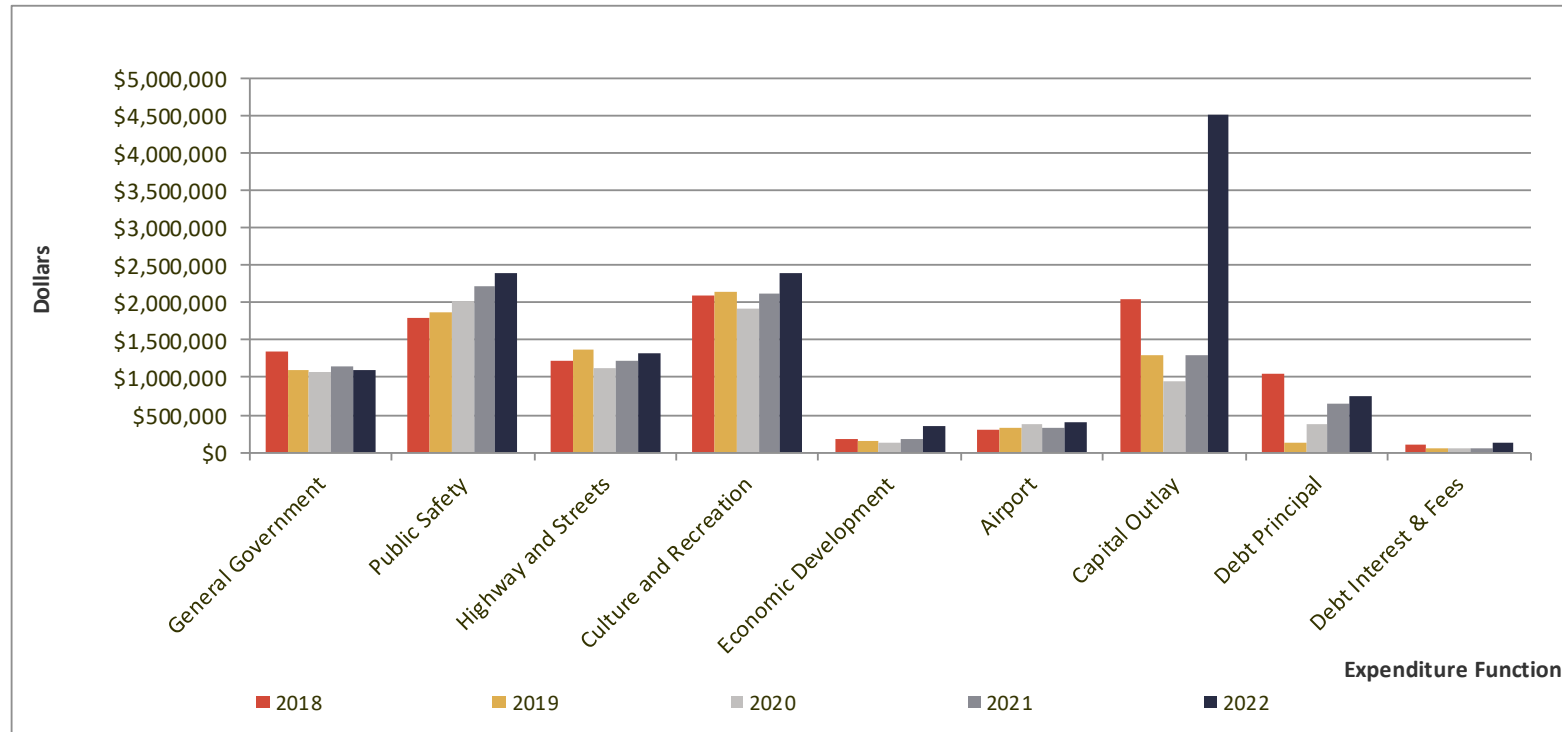


	2018	2019	2020	2021	2022
Local Tax Levies	\$ 2,906,644	\$ 3,472,910	\$ 3,562,233	\$ 3,702,917	\$ 3,895,312
Intergovernmental	4,147,635	3,337,211	2,701,405	2,192,768	3,163,737
Charges for Services	1,405,940	1,118,136	760,043	1,095,875	1,258,420
Fees, Licenses and Permits	131,410	302,996	146,246	169,285	192,152
Fines and Forfeits	33,978	64,671	45,344	41,423	33,646
Investment Earnings (Loss)	207,683	520,899	536,789	(66,650)	(860,109)
Contributions	63,481	44,917	20,333	93,814	66,566
Miscellaneous	464,809	1,388,125	962,545	143,156	174,051
<b>Total Revenues</b>	<b>\$ 9,361,580</b>	<b>\$ 10,249,865</b>	<b>\$ 8,734,938</b>	<b>\$ 7,372,588</b>	<b>\$ 7,923,775</b>



# Financial Results

## Expenditure Components – All Governmental Funds

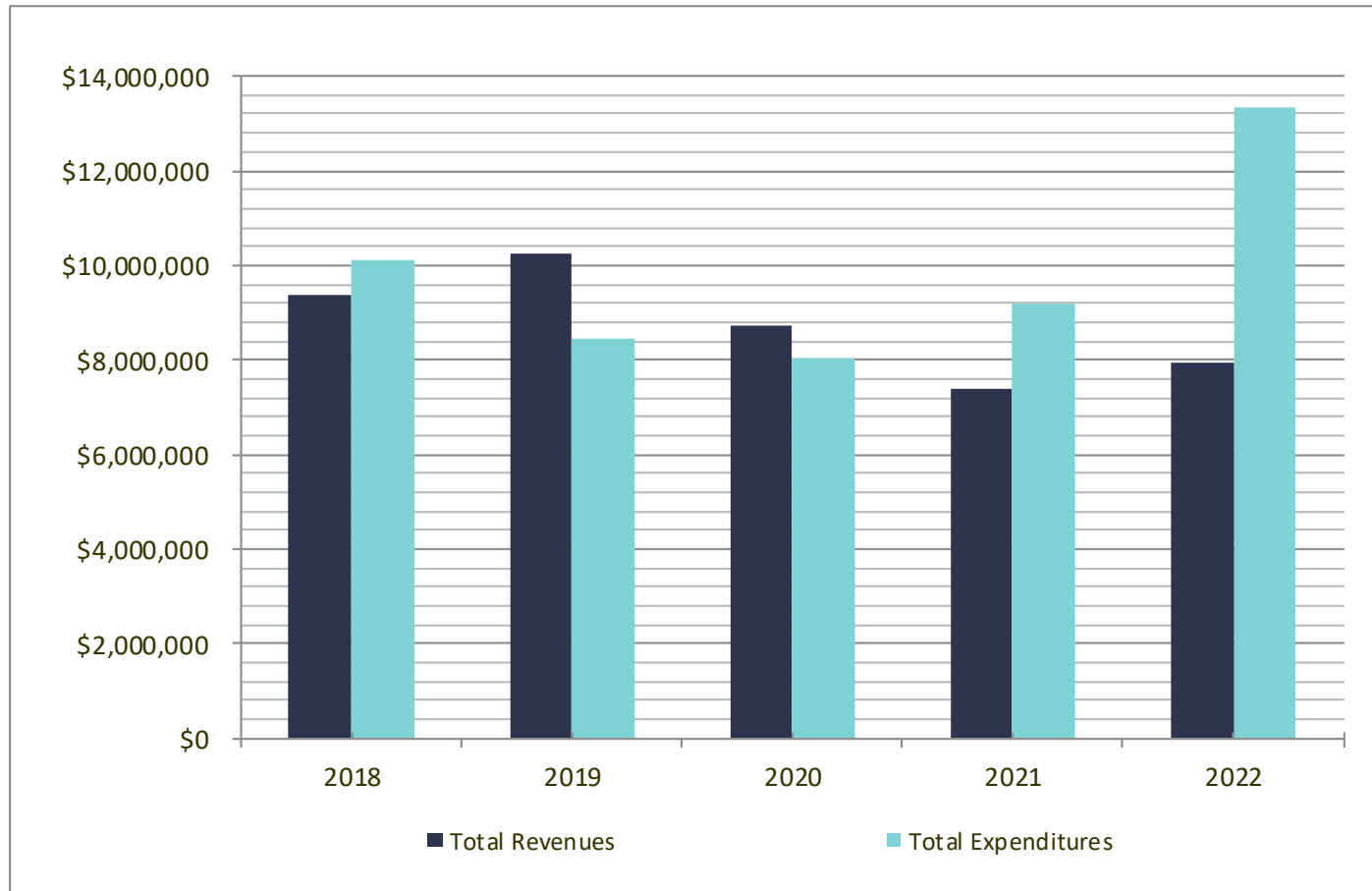


	2018	2019	2020	2021	2022
General Government	\$ 1,337,932	\$ 1,103,552	\$ 1,075,525	\$ 1,152,683	\$ 1,099,901
Public Safety	1,807,374	1,864,748	2,011,870	2,213,492	2,396,939
Highway and Streets	1,226,738	1,366,293	1,113,210	1,216,411	1,314,025
Culture and Recreation	2,083,778	2,139,885	1,927,696	2,118,938	2,381,820
Economic Development	172,671	151,492	128,159	186,355	339,815
Airport	303,924	320,783	384,154	319,048	402,352
Capital Outlay	2,050,565	1,299,452	956,384	1,289,996	4,504,090
Debt Principal	1,053,191	134,522	382,553	656,173	760,067
Debt Interest & Fees	94,404	50,445	55,164	47,823	121,784
<b>Total Expenditures</b>	<b>\$10,130,577</b>	<b>\$ 8,431,172</b>	<b>\$ 8,034,715</b>	<b>\$ 9,200,919</b>	<b>\$13,320,793</b>



# Financial Results

## All Governmental Funds Revenues & Expenditures

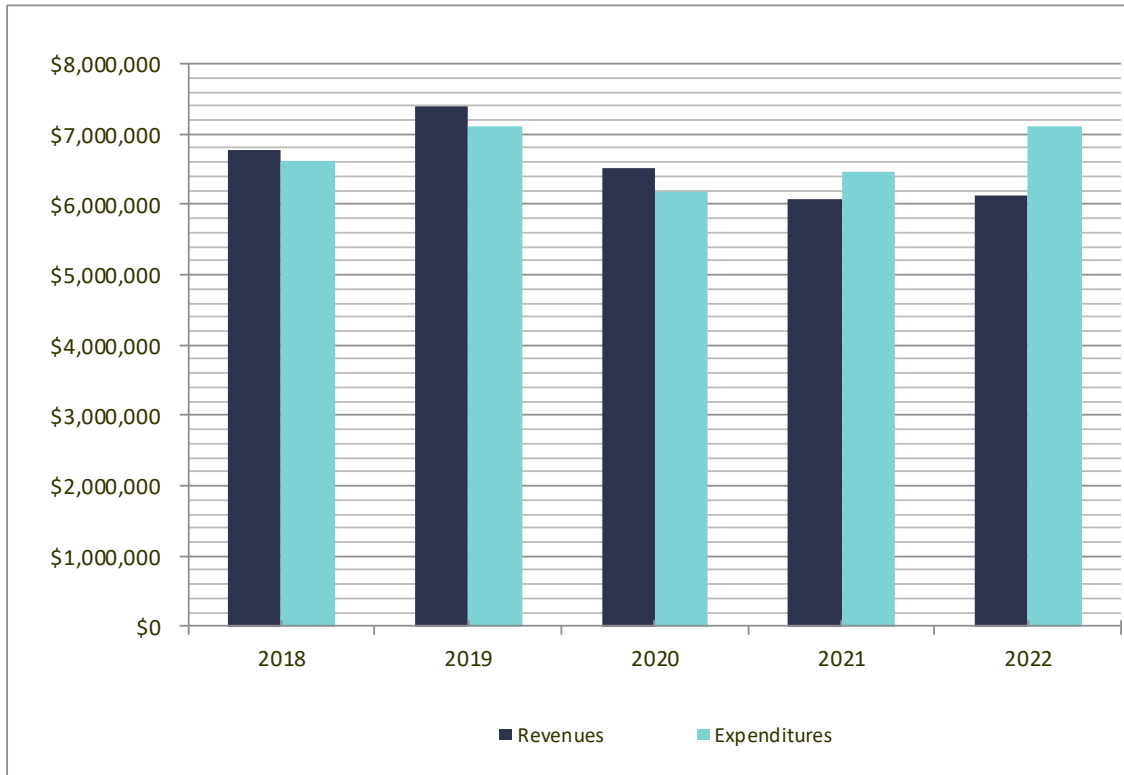


	2018	2019	2020	2021	2022
Total Revenues	\$ 9,361,580	\$ 10,249,865	\$ 8,734,938	\$ 7,372,588	\$ 7,923,775
Total Expenditures	10,130,577	8,431,172	8,034,715	9,200,919	13,320,793
OFS/OFS	5,979,843	789,191	1,420,431	2,859,559	4,047,972
Net Change	\$ 5,210,846	\$ 2,607,884	\$ 2,120,654	\$ 1,031,228	\$ (1,349,046)



# Financial Results

## General Fund Revenues & Expenditures



- As of 12/31, the City has 7.69 months of expenditures in unassigned fund balance
  - State Auditor's office recommends minimum of 3-5 months

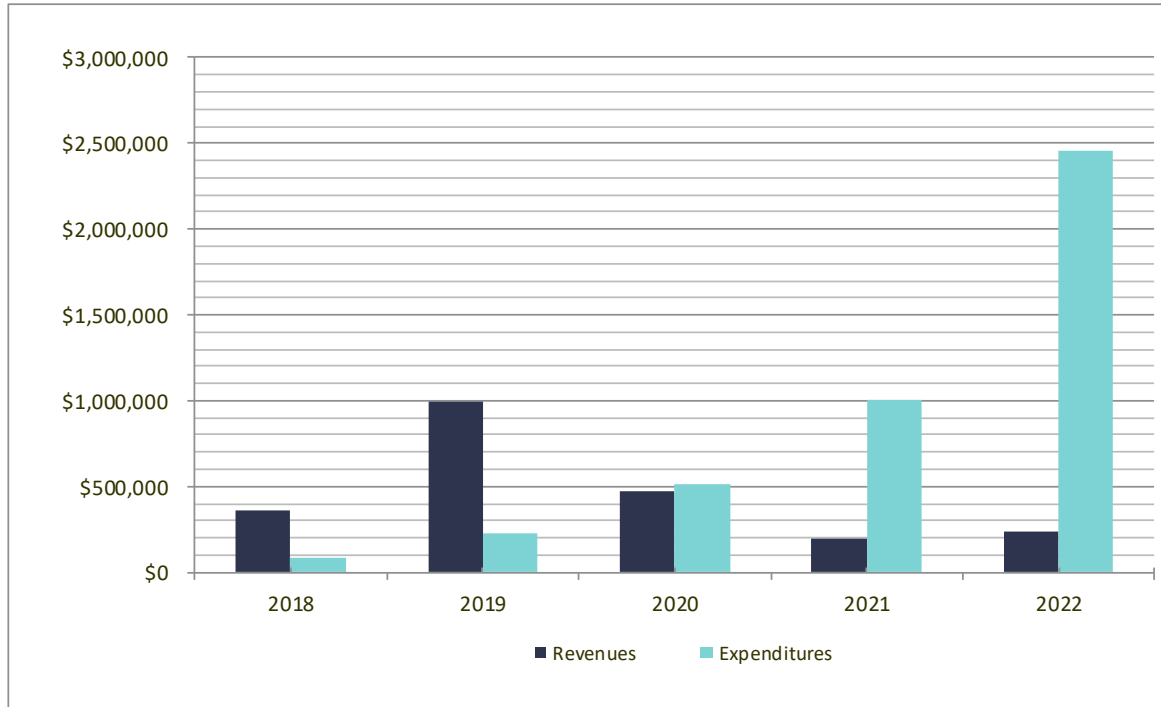
	2018	2019	2020	2021	2022
Revenues	\$6,764,742	\$ 7,395,989	\$ 6,519,617	\$ 6,071,131	\$ 6,116,987
Expenditures	6,626,721	7,099,314	6,168,120	6,475,540	7,108,595
OFS/OFS	695,859	391,940	(458,930)	464,800	59,939
Net Change	833,880	688,615	(107,433)	60,391	(931,669)
Months Expenditures in Fund Balance	8.60	9.54	10.75	10.42	7.69





# Financial Results

## Capital Project Fund Revenues & Expenditures



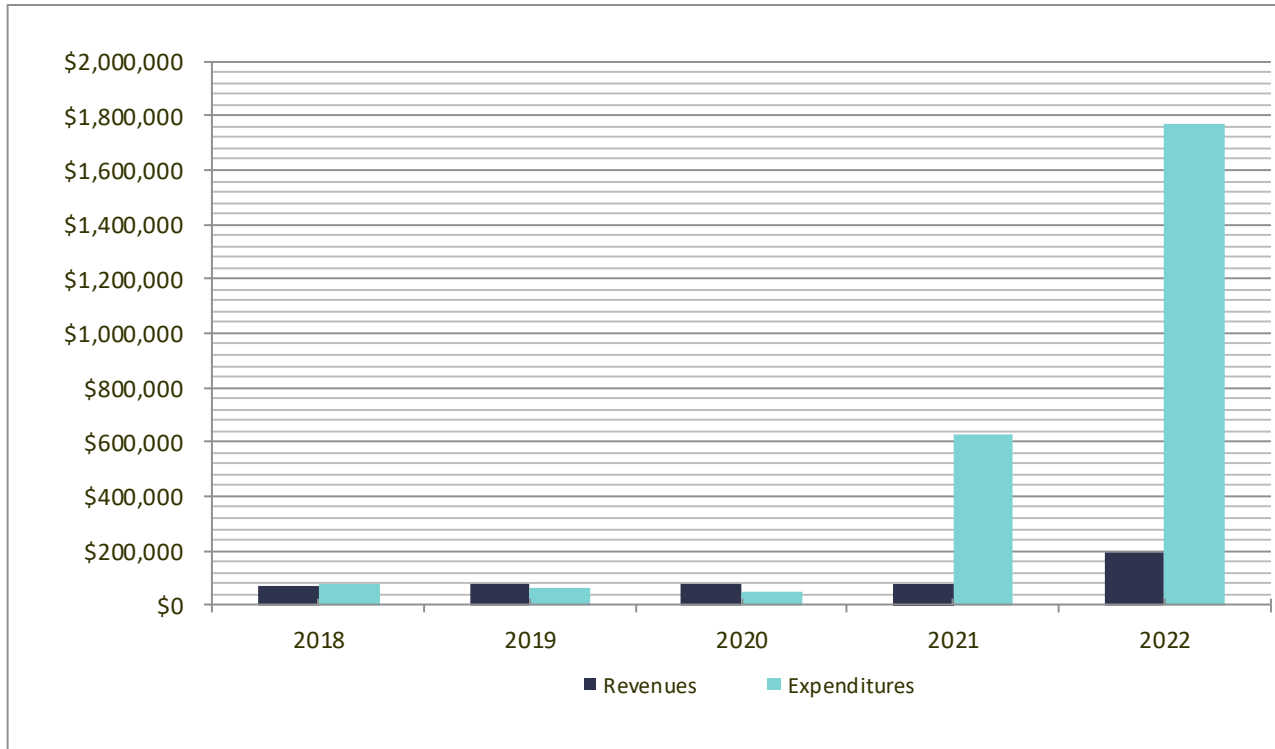
- Project driven
- Current year projects included 4<sup>th</sup> St reconstruction, Drew Street and SE Land Development
- Current year fund balance increased \$2,805,466 primarily due to transfers to fund the SE Land Development Project

	2018	2019	2020	2021	2022
Revenues	\$ 363,370	\$ 996,153	\$ 471,953	\$ 193,039	\$ 241,947
Expenditures	86,929	227,368	513,656	1,005,969	2,461,137
OFS/OFS	5,172,821	337,932	(335,250)	(1,122,611)	5,024,656
Net Change	5,449,262	1,106,717	(376,953)	(1,935,541)	2,805,466



# Financial Results

## Fire Equipment Fund Revenues & Expenditures



- Major Fund in 2022 due to the large expenditures relate to the fire truck.
- Will likely not be a major fund again in 2023

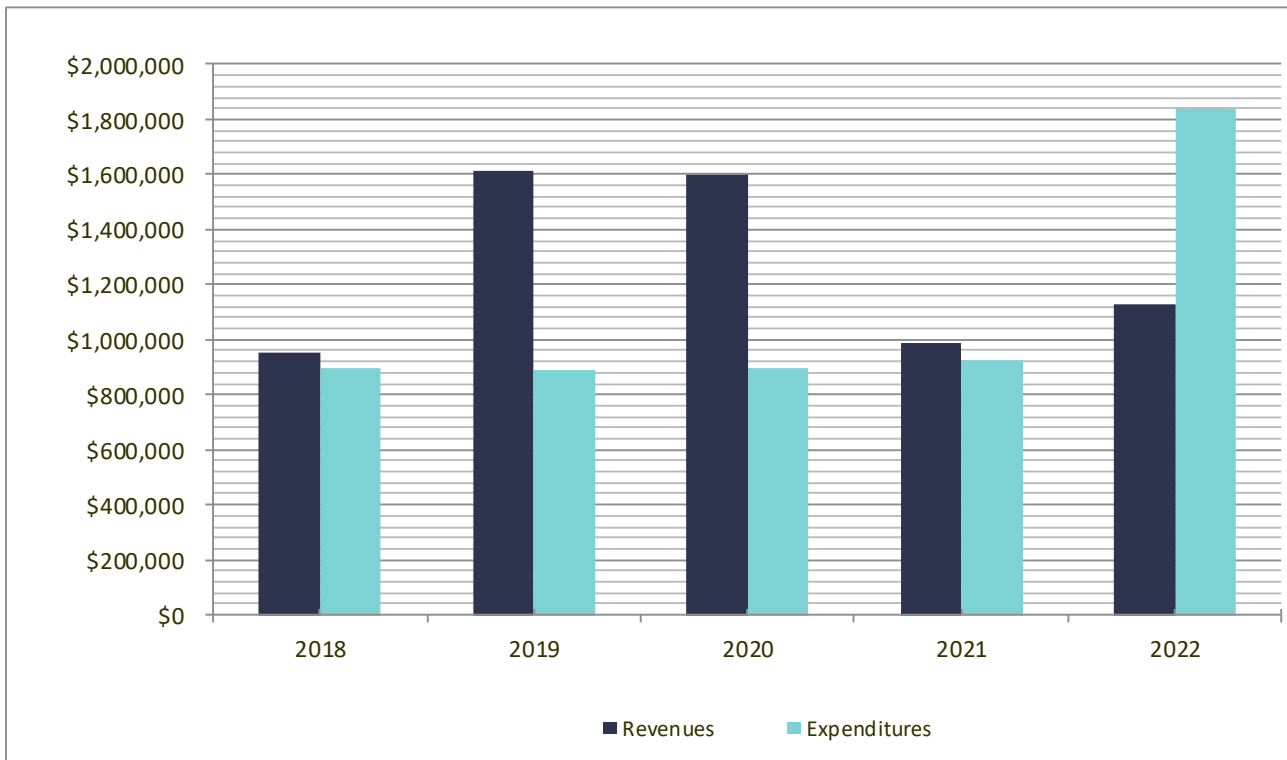
	2018	2019	2020	2021	2022
Revenues	\$ 69,594	\$ 79,793	\$ 78,526	\$ 79,926	\$ 191,175
Expenditures	78,640	63,816	46,656	628,600	1,771,655
OFS/UFU	21,600	21,600	(53,124)	2,326,199	23,756
Net Change	12,554	37,577	(21,254)	1,777,525	(1,556,724)



# Financial Results

## Nonmajor Special Revenue Funds Revenues & Expenditures

Combines Library, Airport, Port Authority, Revolving Loan, Downtown Loan, TIF #9-1, TIF #10, Hospital Building, Debt Service and Airport Fund



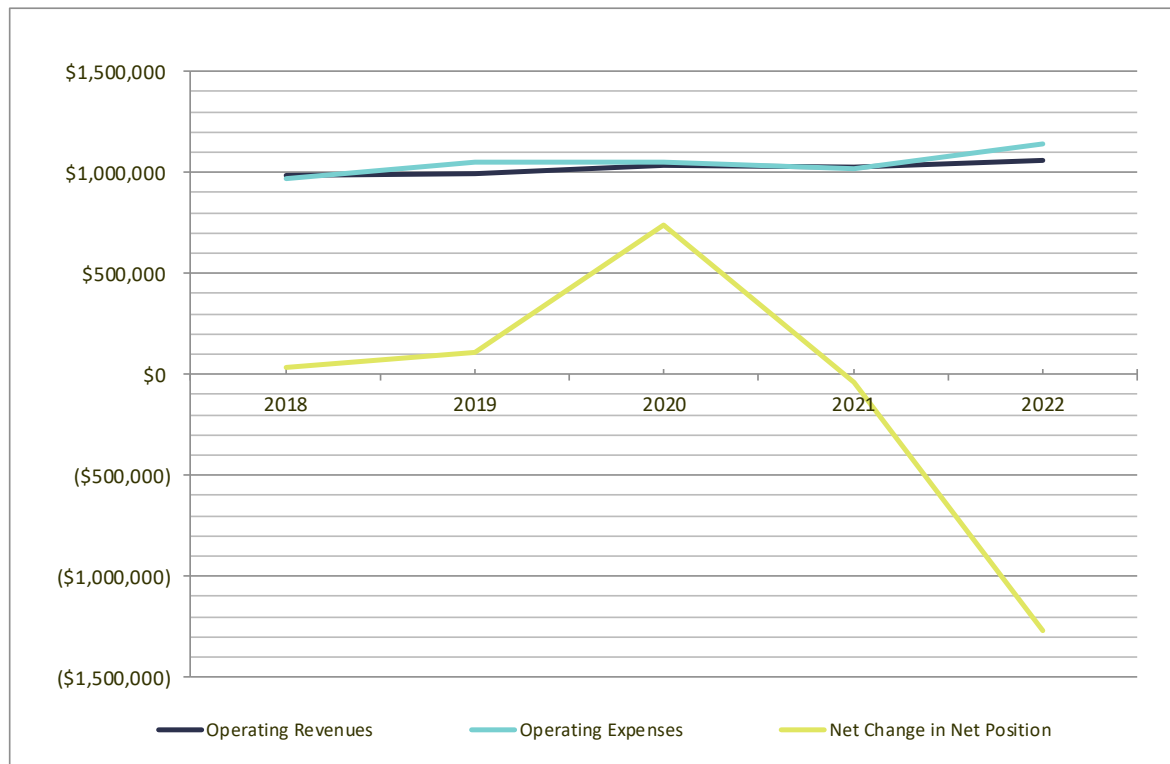
- Revenue decreases after 2020 due to the end of hospital building rent revenue
- 2022 expenditures increased due to Port Authority capital outlay expenditures

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Revenues	\$ 951,337	\$ 1,613,947	\$ 1,595,919	\$ 986,584	\$ 1,125,678
Expenditures	899,096	886,691	895,186	925,181	1,840,871
OFS/OFS	(44,542)	(58,931)	1,902,897	1,142,394	(1,234,946)
Net Change	7,699	668,325	2,603,630	1,203,797	(1,950,139)



# Financial Results

## Sewer Fund Operations



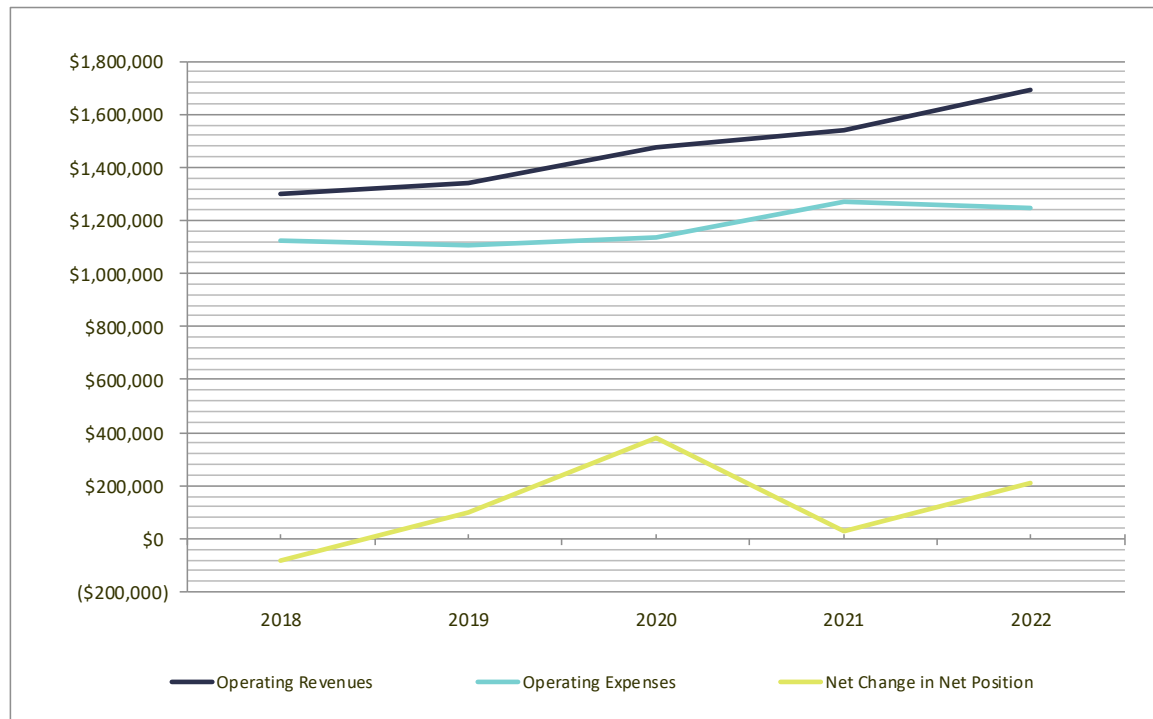
- Operating expense exceeded revenue by \$81,255
- Transfers out resulted in negative change in financial position

	2018	2019	2020	2021	2022
Operating Revenues	\$ 984,292	\$ 990,129	\$ 1,034,360	\$ 1,022,651	\$ 1,058,139
Operating Expenses	969,173	1,048,245	1,049,225	1,015,036	1,139,394
Operating Revenue/(Loss)	15,119	(58,116)	(14,865)	7,615	(81,255)
Net Change in Net Position	37,844	104,825	736,440	(36,269)	(1,266,339)
Months Expenses in Net Position	26.46	26.54	28.07	27.58	9.38



# Financial Results

## Water Fund Operations



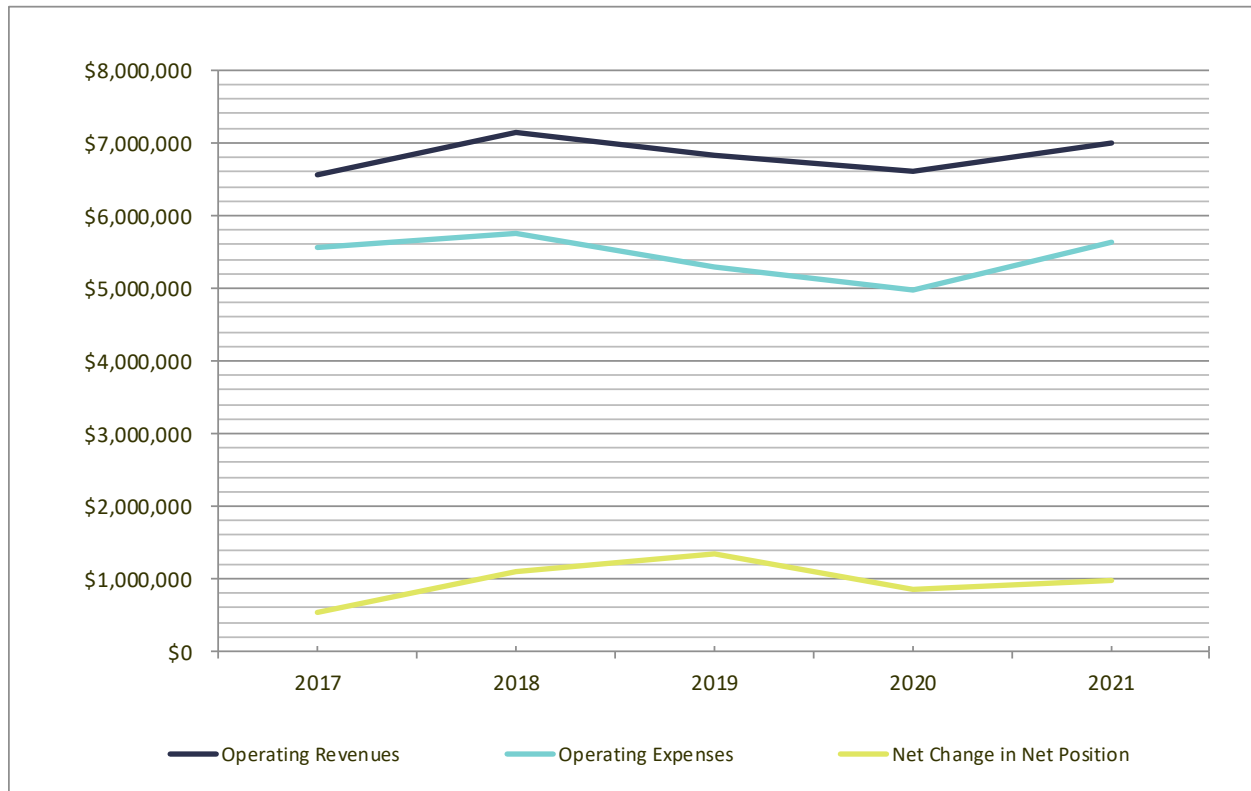
- This fund has reported operating revenue in excess of expense in each of the past 5 years
- 4.57 months of expenses in net position

	2018	2019	2020	2021	2022
Operating Revenues	\$ 1,298,257	\$ 1,342,021	\$ 1,474,928	\$ 1,542,097	\$ 1,693,140
Operating Expenses	1,124,868	1,105,603	1,134,457	1,270,053	1,246,411
Operating Revenue/(Loss)	173,389	236,418	340,471	272,044	446,729
Net Change in Net Position	(80,582)	97,311	377,192	25,870	209,766
Months Expenses in Net Position	8.26	8.05	6.14	8.11	4.57



# Financial Results

## Electric Fund Operations



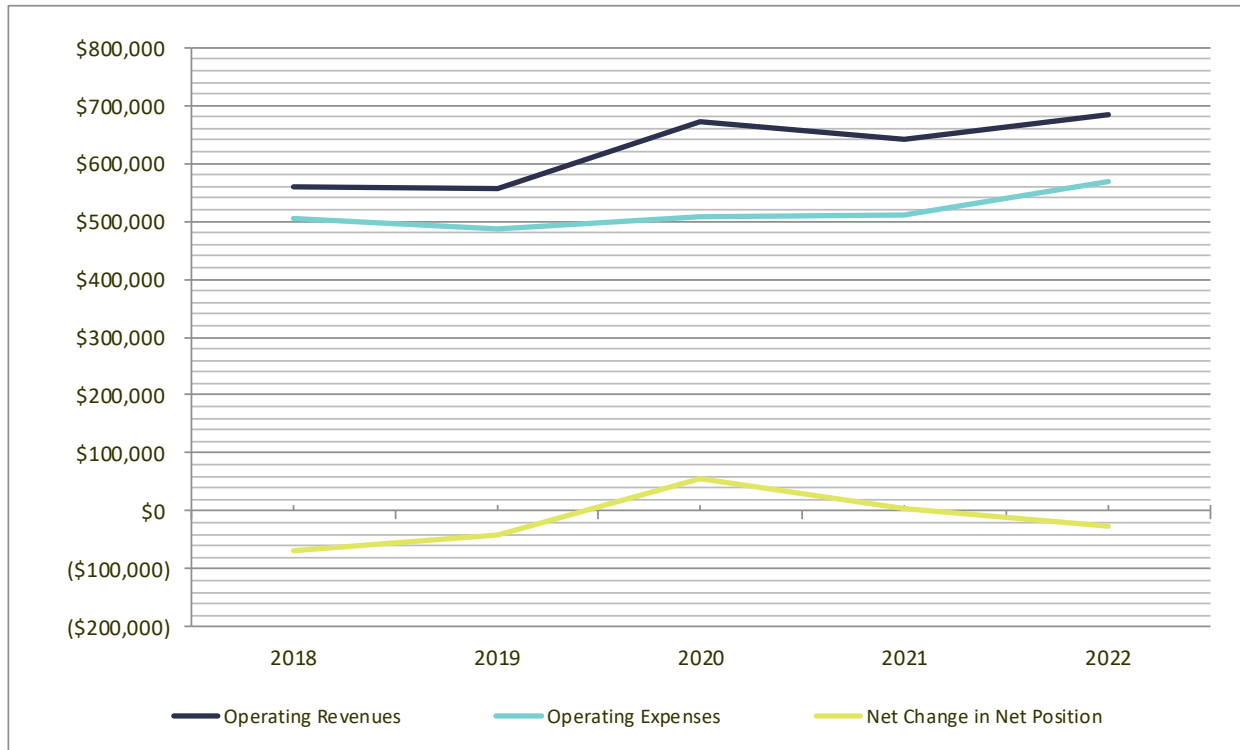
- Revenues exceed expenses in each of the past 5 years
- 5.65 months of expenses in net position
- Ending net position of \$14,429,940

	2018	2019	2020	2021	2022
Operating Revenues	\$ 7,145,634	\$ 6,822,962	\$ 6,601,228	\$ 7,004,336	\$ 7,228,370
Operating Expenses	5,745,475	5,296,691	4,979,294	5,623,125	5,978,631
Operating Revenue/(Loss)	1,400,159	1,526,271	1,621,934	1,381,211	1,249,739
Net Change in Net Position	1,104,305	1,342,828	864,986	970,548	146,267
Months Expenses in Net Position	6.89	8.56	8.10	9.35	5.65



# Financial Results

## Liquor Fund Operations



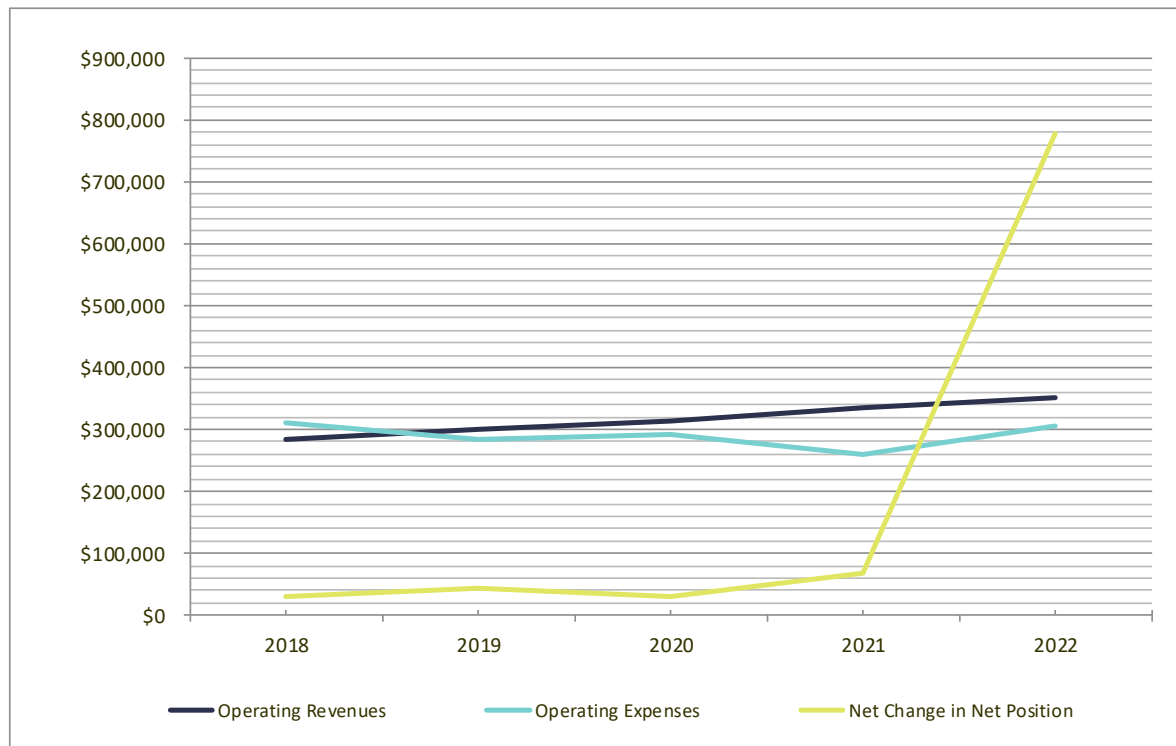
- Operating income in each of the past 5 years
- \$122,165 was transferred to other funds
- 3.09 months of expenses in net position
- Ending net position \$557,048

	2018	2019	2020	2021	2022
Operating Revenues	\$ 560,956	\$ 556,971	\$ 671,759	\$ 640,655	\$ 685,095
Operating Expenses	506,437	486,508	509,019	512,168	568,699
Operating Revenue/(Loss)	54,519	70,463	162,740	128,487	116,396
Net Change in Net Position	(67,553)	(40,897)	55,036	2,998	(25,184)
Months Expenses in Net Position	6.41	5.01	3.99	3.29	3.09



# Financial Results

## Storm Sewer Fund Operations



- Operating income exceeded expenses in each of the last 4 years
- Ending net position of \$3,212,190 which is an increase of \$777,925

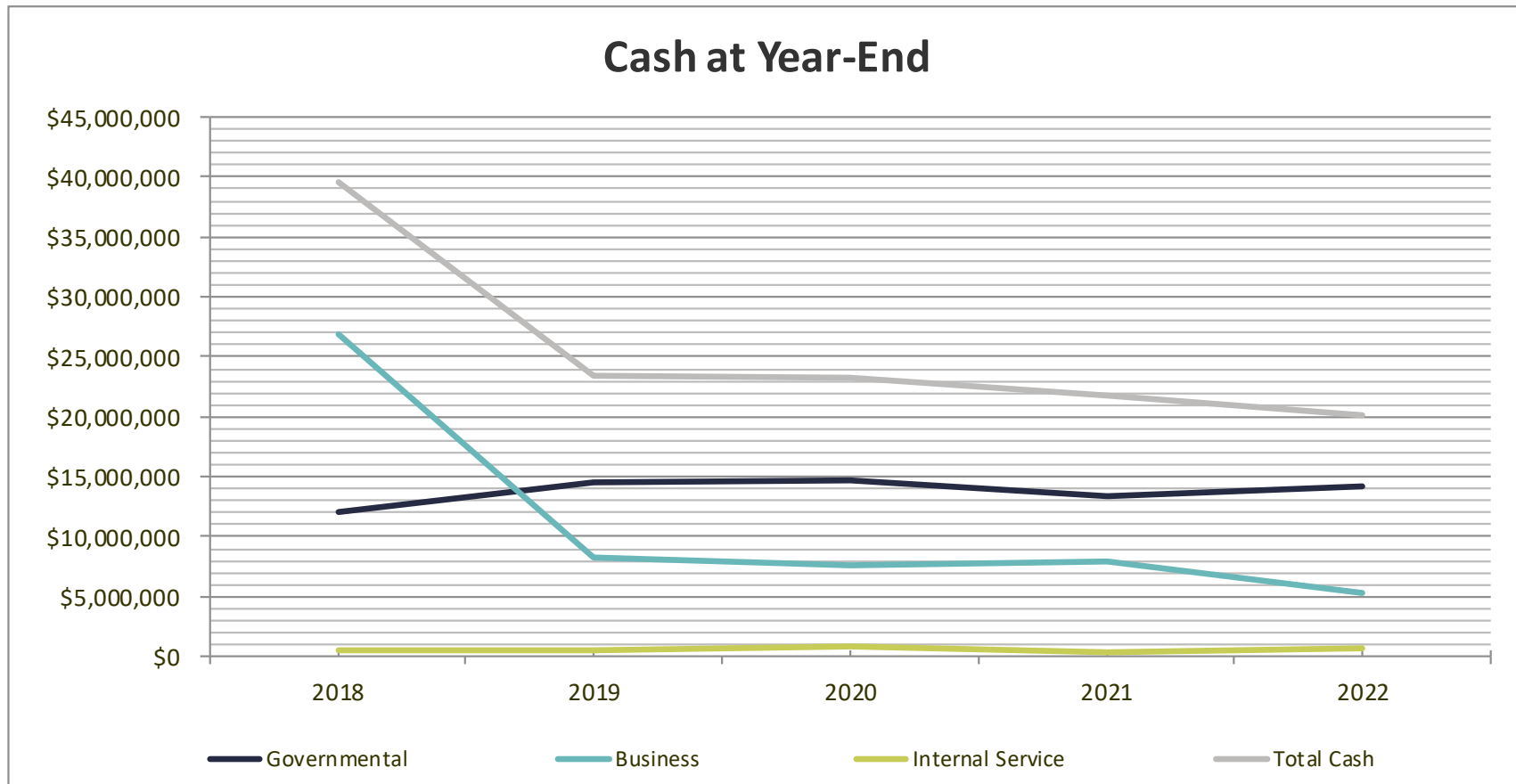
	2018	2019	2020	2021	2022
Operating Revenues	\$ 285,178	\$ 299,649	\$ 313,292	\$ 334,684	\$ 352,582
Operating Expenses	309,608	284,317	292,355	258,401	305,752
Operating Revenue/(Loss)	(24,430)	15,332	20,937	76,283	46,830
Net Change in Net Position	30,429	42,691	29,294	67,487	777,925
Months Expenses in Net Position	15.65	18.83	14.79	18.87	26.76





# Financial Results

## Cash Balances at Year-End

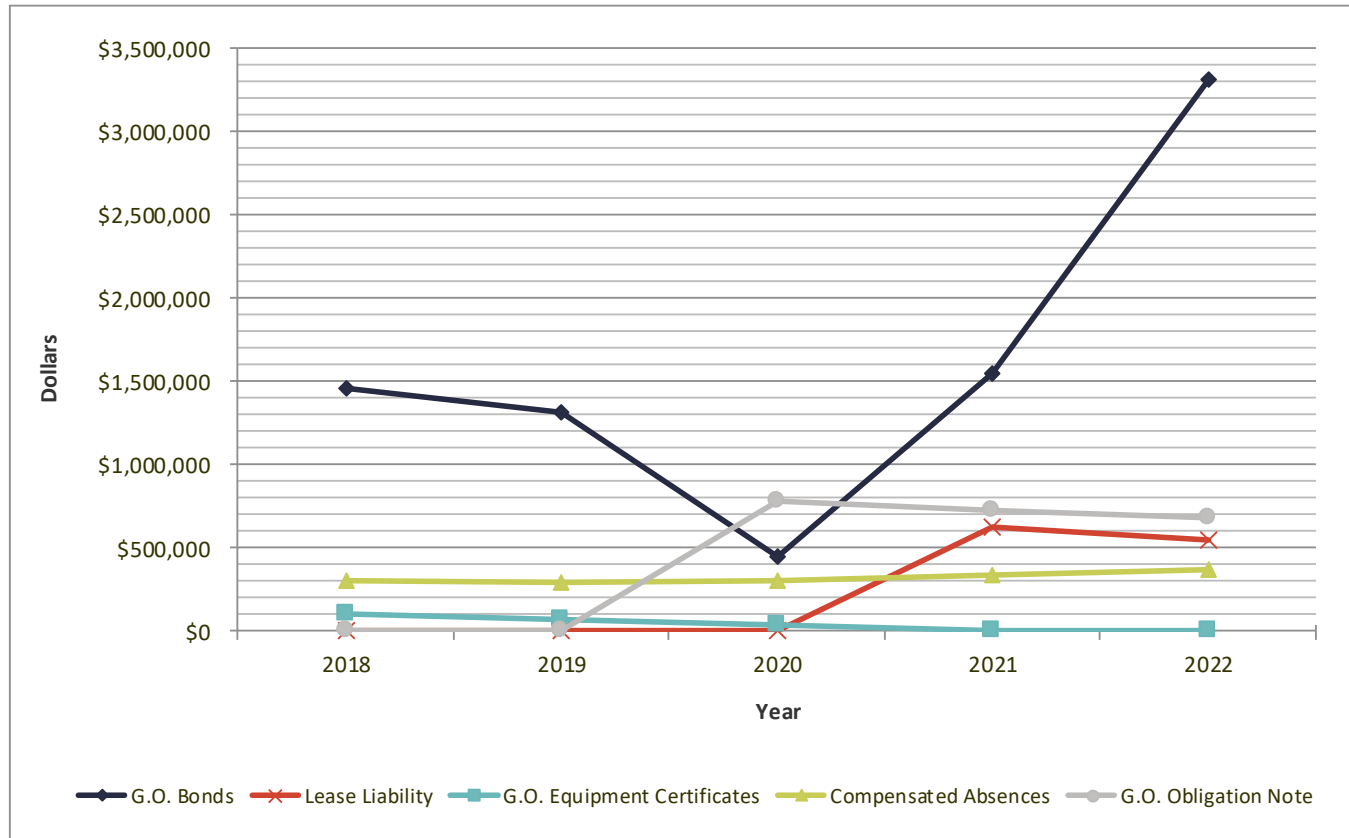


	Governmental	Business	Internal Service	Total Cash
2018	\$ 12,014,173	\$ 26,936,767	\$ 555,003	\$ 39,505,943
2019	14,594,280	8,218,879	585,592	23,398,751
2020	14,754,384	7,654,581	789,304	23,198,269
2021	13,347,934	7,995,990	424,784	21,768,708
2022	14,194,582	5,272,794	622,419	20,089,795



# Financial Results

## Governmental Bonded Debt

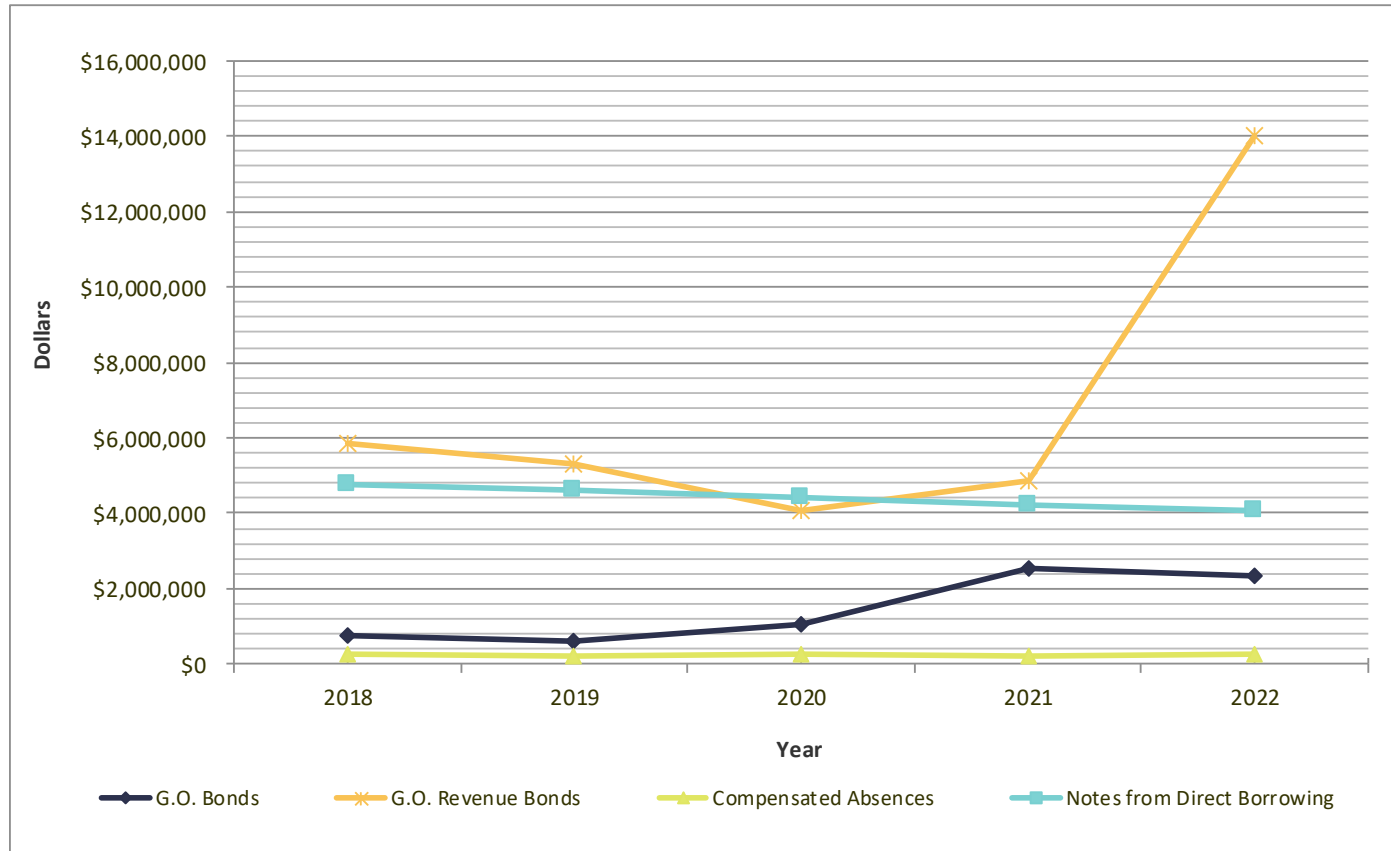


	2018	2019	2020	2021	2022
G.O. Bonds	\$ 1,454,947	\$ 1,315,425	\$ 442,053	\$ 1,546,732	\$ 3,307,750
Lease Liability	-	-	-	628,340	552,603
G.O. Equipment Certificates	105,000	70,000	35,000	-	-
G.O. Obligation Note	-	-	780,000	727,000	677,000
Compensated Absences	308,575	290,942	304,097	337,009	373,402



# Financial Results

## Business-Type Bonded Debt



	2018	2019	2020	2021	2022
G.O. Bonds	\$ 745,053	\$ 594,574	\$ 1,061,947	\$ 2,537,268	\$ 2,328,251
G.O. Revenue Bonds	5,860,000	5,300,000	4,058,000	4,852,000	14,017,000
Notes from Direct Borrowing	4,760,000	4,593,000	4,421,000	4,244,000	4,062,000
Compensated Absences	254,578	234,167	248,272	233,172	251,123



# Thank you for allowing us to serve you!

## Contact Information:

Miranda Wendlandt, CPA, CFE

Principal

320-759-5124

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Redwood Falls (the City) as of and for the year ended December 31, 2022, and have issued our report thereon dated June 8, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our statement of work dated November 11, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Redwood Falls are described in Note 1 to the financial statements.

As described in Note 1, the City changed accounting policies related to leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective January 1, 2022. There was no material impact on the City's net position/fund balance and changes in net position/fund balance as a result of the adoption of this accounting standard.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of capital assets is based on authoritative guidance and past experience. We evaluated the key factors and assumptions used to develop the estimated useful lives and remaining useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the amount of the year-end compensated absences payable to employees is based on accumulated hours and pay rates for City employees. The current portion of the estimate is based on City policy and historical trends. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of other postemployment benefits payable is based on an actuarial study performed by an independent third party and the City's historical activity. We evaluated the key factors and assumptions used to develop the other postemployment benefits payable in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the pension liability and asset benefits are based on estimates prepared by a third-party actuary, including expected salary increases, inflation, estimated life expectancy, and actual required contributions upon meeting the eligibility requirements. We reviewed the key assumptions used to estimate the liability and asset in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the fair value of investments is based on the fair value of the investments as provided by a third party. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

*Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Significant unusual transactions***

We identified no significant unusual transactions.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

***Corrected misstatements***

The following material misstatement detected as a result of audit procedures was corrected by management:

- A pass-through grant related to the year ended December 31, 2022, was received and paid subsequent to year end, but was not recorded in the downtown loan program fund. Accounts receivable and accounts payable were both understated by \$59,896 due to this transaction. There was no impact on fund balance for the pass-through activity.

***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Circumstances that affect the form and content of the auditors' report***

As previously communicated to you, the report was modified to include an emphasis of a matter regarding the implementation GASB Standard No. 87, *Leases*.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated June 8, 2023.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other audit findings or issues***

We have provided a separate communication to you dated June 8, 2023, communicating internal control related matters identified during the audit.

***Required supplementary information***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

**Supplementary information in relation to the financial statements as a whole**

With respect to the combining financial statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 8, 2023.

The schedule of city officials accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

\* \* \*

This communication is intended solely for the information and use of the mayor, city council, and management of the City of Redwood Falls and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
June 8, 2023



**City of Redwood Falls**  
**Summary of Uncorrected Misstatements**  
**December 31, 2022**

Description	Debit	Credit
<b>General Fund</b>		
<i>To properly state unavailable revenue as of 12/31/2021 and revenue in 2022.</i>		
Fund Balance	\$ 10,700	
Revenue		\$ 10,700
<b>Municipal Liquor Store Fund</b>		
<i>To properly state inventory balance based on projected error in physical inventory count.</i>		
Inventory	\$ 4,278	
Expense	699	
Beginning Net Position		\$ 4,977
<b>Water Fund</b>		
<i>To properly state balances related to the bond premiums and related amortization on the 2021A, 2022A and 2022B (city expenses in year of bond issue).</i>		
Fiscal Agent Fee Expense	\$ 18,419	
Bond Premium		\$ 30,508
Beginning Net Position	\$ 12,089	
<b>Sewer Fund</b>		
<i>To properly state balances related to the bond premium (city expensed in year of bond issue).</i>		
<i>Note there is no amortization of premium in 2022 since no interest paid on bonds during year.</i>		
Fiscal Agent Fee Expense	\$ 37,396	
Bond Premium		\$ 37,396
<b>Storm Sewer Fund</b>		
<i>To properly state balances related to the bond premium (city expensed in year of bond issue).</i>		
<i>Note there is no amortization of premium in 2022 since no interest paid on bonds during year.</i>		
Fiscal Agent Fee Expense	\$ 16,131	
Bond Premium		\$ 16,131

**CITY OF REDWOOD FALLS, MINNESOTA**  
**INDEPENDENT AUDITORS' REPORTS AS REQUIRED**  
**BY *GOVERNMENT AUDITING STANDARDS***  
**AND MINNESOTA STATUTES**  
**YEAR ENDED DECEMBER 31, 2022**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2022, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2023.

***Report on Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

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

***Report on Compliance and Other Matters***

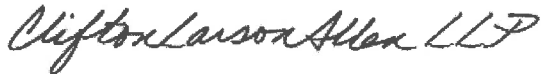
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

***City's Response to Finding***

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

***Purpose of this Report***

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



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
June 8, 2023



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood Falls, Minnesota (the City), as of December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2023.

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
June 8, 2023

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

**Financial Statement Findings**

**2022-001      Material Audit Adjustment**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Condition:** As part of the audit, we proposed a material adjustment to properly state accounts receivable, revenue, accounts payable and expenditures.

**Criteria or Specific Requirement:** Management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including account coding, reporting of accruals and net position, and cash flow reporting.

**Effect:** A material adjustment was proposed and subsequently recorded by management. The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

**Cause:** The activity was pass-through in nature and since it had no fund balance impact, it was not recorded by the City.

**Repeat Finding:** The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2021-001.

**Recommendation:** We recommend management be consistently aware of all procedures and processes involved in recording transactions and develop internal control policies to ensure proper recording of these items.

**Views of Responsible Officials:** There is no disagreement with the audit finding.



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**CITY OF REDWOOD FALLS, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



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## INTRODUCTORY SECTION

**CITY OF REDWOOD FALLS, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2022**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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.

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

As discussed in Note 1 to the financial statements, effective January 1, 2022, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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

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

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

***Responsibilities of Management for the Financial Statements (Continued)***

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

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

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

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



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

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

***Supplementary Information***

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

The schedule of city officials, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
June 8, 2023

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

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, 2022. 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 \$72,708,368. Of this amount \$17,216,738 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 \$23,662, over 2021.
- The City's governmental funds reported combined ending fund balances of \$16,451,436. Of this total amount, \$3,791,929 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 \$4,469,107 or 63% 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, 2022**

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 15-17 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 18-21 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 22-31 of this report.

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

**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 beginning on page 32 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 79-100 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, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City of Redwood Falls' net position increased during 2022 by \$23,662. 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	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 18,960,245	\$ 19,375,315	\$ 9,894,384	\$ 12,282,855	\$ 28,854,629	\$ 31,658,170
Capital Assets	29,784,573	27,199,851	47,180,398	35,386,499	76,964,971	62,586,350
Total Assets	48,744,818	46,575,166	57,074,782	47,669,354	105,819,600	94,244,520
Deferred Outflows of Resources	3,098,175	1,938,924	599,421	762,428	3,697,596	2,701,352
Noncurrent Liabilities Outstanding	10,274,968	4,842,383	22,531,285	12,875,082	32,806,253	17,717,465
Other Liabilities	1,320,053	1,425,968	2,003,587	1,254,362	3,323,640	2,680,330
Total Liabilities	11,595,021	6,268,351	24,534,872	14,129,444	36,129,893	20,397,795
Deferred Inflows of Resources	570,580	2,790,601	108,355	1,072,770	678,935	3,863,371
Net Position						
Net Investment in Capital Assets	26,100,332	26,001,705	26,471,379	23,461,003	52,571,711	49,462,708
Restricted	2,406,560	5,260,329	513,359	567,017	2,919,919	5,827,346
Unrestricted	11,170,500	8,193,104	6,046,238	9,201,548	17,216,738	17,394,652
Total Net Position	<u>\$ 39,677,392</u>	<u>\$ 39,455,138</u>	<u>\$ 33,030,976</u>	<u>\$ 33,229,568</u>	<u>\$ 72,708,368</u>	<u>\$ 72,684,706</u>

**Governmental Activities**

Net position of the City's governmental activities increased by \$222,254 or 0.6%. 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 \$11,170,500 at December 31, 2022. A thorough analysis of governmental activities is discussed below.

**Business-Type Activities**

The net position of our business-type activities decreased by \$198,592 or 0.6%, due to the City's proprietary funds continuing to show strong financial performance. The Proprietary funds made cash transfers to governmental funds totaling approximately \$2,118,000.

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

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

**Table 2  
STATEMENT OF ACTIVITIES**

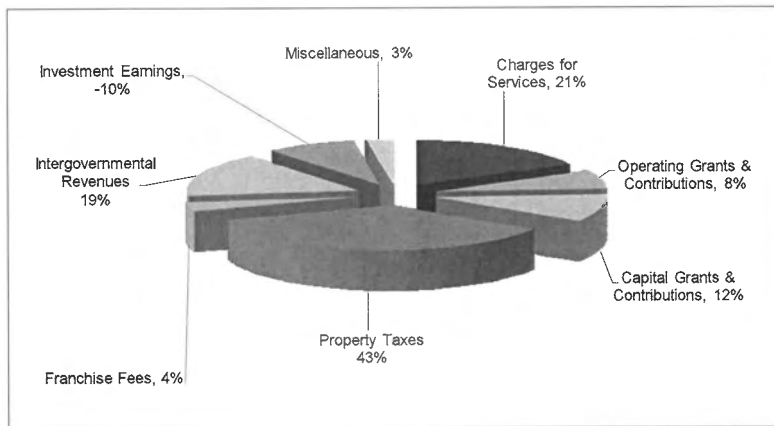
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenue</b>						
Program Revenues						
Charges for Services	\$ 1,729,327	\$ 1,577,043	\$ 12,974,490	\$ 12,455,406	\$ 14,703,817	\$ 14,032,449
Operating Grants and Contributions	655,803	690,857	3,796	3,257	659,599	694,114
Capital Grants and Contributions	1,018,552	289,372	1,137,787	38,276	2,156,339	327,648
General Revenues						
Property Taxes	3,603,967	3,459,425	-	-	3,603,967	3,459,425
Franchise Fees	246,873	170,861	-	-	246,873	170,861
Hotel Taxes	52,952	38,143	-	-	52,952	38,143
Intergovernmental Revenues	1,724,474	1,693,728	-	-	1,724,474	1,693,728
Investment Earnings (Loss)	(863,904)	(66,922)	(642,308)	(51,542)	(1,506,212)	(118,464)
Gain on Disposal of Assets	52,643	-	-	-	52,643	-
Miscellaneous	210,497	257,169	243,899	206,657	454,396	463,826
Total Revenue	8,431,184	8,109,676	13,717,664	12,652,054	22,148,848	20,761,730
<b>Expenses</b>						
General Government	1,492,317	1,423,762	-	-	1,492,317	1,423,762
Public Safety	2,740,172	2,046,322	-	-	2,740,172	2,046,322
Highways & Streets	1,900,909	1,798,131	-	-	1,900,909	1,798,131
Culture and Recreation	3,081,340	2,731,742	-	-	3,081,340	2,731,742
Economic Development	361,760	206,260	-	-	361,760	206,260
Airport	611,674	514,237	-	-	611,674	514,237
Community Development	4,489	611,829	-	-	4,489	611,829
Interest and Fiscal Charges	134,204	32,105	-	-	134,204	32,105
Municipal Liquor Store	-	-	2,529,525	2,428,671	2,529,525	2,428,671
Water Utility	-	-	1,503,421	1,436,386	1,503,421	1,436,386
Sewer Utility	-	-	1,313,577	1,020,762	1,313,577	1,020,762
Storm Sewer Utility	-	-	353,121	248,859	353,121	248,859
Electric Utility	-	-	6,098,677	5,718,407	6,098,677	5,718,407
Total Expenses	10,326,865	9,364,388	11,798,321	10,853,085	22,125,186	20,217,473
<b>Change in Net Position Before Transfers</b>	(1,895,681)	(1,254,712)	1,919,343	1,798,969	23,662	544,257
<b>Transfers</b>	2,117,935	702,692	(2,117,935)	(702,692)	-	-
<b>Change in Net Position</b>	222,254	(552,020)	(198,592)	1,096,277	23,662	544,257
<b>Net Position - Beginning of Year</b>	39,455,138	40,007,158	33,229,568	32,133,291	72,684,706	72,140,449
<b>Net Position - End of Year</b>	\$ 39,677,392	\$ 39,455,138	\$ 33,030,976	\$ 33,229,568	\$ 72,708,368	\$ 72,684,706

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

**Governmental Activities**

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

**2022 REVENUES BY SOURCE  
GOVERNMENTAL ACTIVITIES**



*Revenues* – The City's governmental activities revenues increased by \$321,508 or 4.0%. The major components of this increase are explained as follows:

- Investment earnings decreased in 2022 by \$797,000 due to a decrease in fair market value.
- Charges for Services increased by \$152,000. This increase was primarily due to an increase of \$60,000 in fuel sales at the Redwood Falls Municipal Airport and a \$95,000 increase in activity fees at the Redwood Area Community Center, Redwood Falls Aquatic Center, and the Redwood Falls Public Library. Both the increase in activity fees and fuel sales reflect the continued recovery from the COVID-19 pandemic, as well as increased costs due to higher-than-normal inflation.
- Operating grants and contributions decreased in 2022 by \$35,000. This decrease was due to a decrease in Municipal State Aid Maintenance funds of \$250,000. The decrease was offset mainly by an increase of \$119,000 in pass through grant for the Small Cities Development Program, \$33,000 in State funding for the Redwood Falls Municipal Airport, and \$30,000 in police state aid and training reimbursement, as well as various other small grants and contributions.
- Capital grants and contributions increased in 2022 by \$729,000. This increase included \$542,000 of one-time American Rescue Act funds used for capital purchases for police, fire, and economic development. The increase also included \$267,000 in Municipal State Aid Construction funds and \$11,000 in miscellaneous state grants. The increase was offset by a decrease in contributions from private sources of \$95,000.



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

**Governmental Activities (Continued)**

*Revenues* (Continued) –

- Franchise Fees increased by \$76,000 and Lodging Tax revenues increased by \$15,000.
- Property taxes increase in 2022 by \$145,000 and Local Government Aid (LGA) increased by \$31,000.

*Expenses* – The City's expenses for governmental activities increased by \$962,477 or 10.3%. The major components of this increase are explained as follows:

- Personnel costs increased \$302,000 due to a 3% cost of living raise, increased benefit costs, and ongoing worker's compensation claims and resulting overtime. The largest increase was in Public Safety.
- Interest and fiscal charges increased \$102,000 due to two bond sales in 2022 for the Drew Street Reconstruction project and the Reflections Development project.
- Economic development expenses increased primarily due to a \$119,000 increase in pass through expenses related to the Small City Development Program.
- Other increases included \$83,000 in depreciation, \$208,000 in miscellaneous repairs and maintenance due to unforeseen repairs and increased costs, \$68,000 in aviation fuels, \$59,000 in minor equipment, and \$44,000 in utilities.

**Business-Type Activities**

*Revenues* – The City's business-type operating revenues and other income increased 8.4%, or \$1,065,610 in 2022 when compared to 2021. The major components of this increase include an increase in charges for services of \$519,000. The increase includes \$151,000 in the water utility, \$36,000 in sewer, \$18,000 in storm sewer, \$224,000 in electric, and \$90,000 at the liquor store. The majority of these increases are a result of rate increases due to higher costs and ongoing infrastructure maintenance requirements. Capital grants and contributions also increased \$504,000 due to a DEED Business Development Public Infrastructure (BDPI) grant for the Reflection Ridge Business Park as well as \$475,000 in grant revenue and \$158,000 contributed capital related to FEMA's Hazard Mitigation Program. These increases were offset by a \$591,000 decrease in investment earnings due to a decrease in fair market value.

*Expenses* – There was an increase in business-type expenses of \$945,236 or 8.7%% in 2022 when compared to 2021. The major components of this increase include an increase in personnel expenses of \$315,000 due to a 3% cost of living raise, as well as increased benefit costs and pension expenses. Other major cost increases include a \$285,000 increase in purchased power, \$113,000 increase in depreciation expense, and a \$256,000 increase in bond expenses, including interest and fiscal agent fees.

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

*General Fund* – The City's General Fund balance decreased by \$931,669 from the 2021 balance. This decrease is attributable in part to the General Fund budgetary highlights discussed below.

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

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

*Capital Project Fund* – The Capital Project Fund balance increased by \$2,805,466 and ended the year with a \$7,363,422 fund balance. This increase is the result of \$3,250,000 in transfers from other funds. The majority of these transfers are being used to fund a portion of the Homes of Reflection Prairie and Reflection Ridge Business Park development project. The Capital Project fund also received \$1,845,000 in bond proceeds related to the Drew Street Reconstruction Project, \$367,000 in Federal and State grants, and \$181,000 in tax proceeds. These increases were offset by \$2,233,000 in capital outlay expenditures mostly related to the Drew Street Reconstruction Project and the Reflections Development project as well as \$172,000 in various other smaller capital projects, \$349,000 in investment losses due to a decrease in fair market value, and an \$83,000 transfer to the airport capital project fund.

*Fire Equipment Replacement Fund*- The Fire Equipment Replacement Fund balance decreased \$1,556,724 from the 2021 balance. This decrease is due to the capital outlay and loan payoff related to the new aerial ladder truck.

*Nonmajor Governmental Funds* – The fund balances for the Nonmajor Governmental Funds decreased by \$1,666,119 in total. The decrease is mainly due to the transfer of \$1,149,000 to close out the hospital fund. These funds were transferred to the Capital Project Fund. The Port Authority's fund balance also decreased due to moving \$711,000 in Land Held for Resale to land purchased reflecting the city owned portions of the Reflections development. These decreases were offset by an increase in the airport project fund balance primarily related to \$203,000 in grant revenue for various airport projects.

**General Fund Budgetary Highlights**

Actual revenue was less than budget in 2022 by \$232,475. The underbudget revenue was made up of several factors including investment earnings being \$503,000 under budget due to large declines in the fair market value of investments. This was offset by property, franchise, and hotel/motel taxes coming in \$100,000 over budget. Other revenues that exceeded budget include public safety and highway intergovernmental revenues which were \$77,000 over budget due to federal grants and higher than anticipated state aid, as well as building inspection related permits and fees being \$87,000 higher than anticipated.

Expenditures were more than budget by \$285,722. Significant variances over budget include \$172,000 in public safety expenditures with the majority of this due to ongoing worker's compensation cases and resulting overtime, \$107,000 in street maintenance supplies and repairs due to continually rising costs, and \$45,000 in parks and recreation capital outlays due to unexpected damage to a copier and a ballpark light pole. These items were offset by \$34,000 underbudget expenditures in IT primarily due to the postponement of a budgeted cyber security project, and lower than anticipated parts and maintenance requirements.

Proceeds from sale of capital assets was higher than budget by \$120,000 due to the unanticipated sale of land.

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

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

**General Fund Budgetary Highlights (Continued)**

Transfers out were higher than budget by \$593,281, due to a council approved transfer of \$500,000 from the general fund reserves to the capital project fund for the Reflections development project, \$74,000 related to the annual repayment of a MSAS advance, and \$19,000 approved transfer of unspent IT funds for a future cyber security project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2022, the City of Redwood Falls, had \$135,631,667 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 an increase (including additions and deductions) in gross capital assets of \$17,247,286 over last year.

**Long-Term Debt**

At year-end, the City of Redwood Falls, had \$25,562,866 in outstanding long-term debt. During 2022, \$11,495,000 of bonds were 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 2023 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 STATEMENT**

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 14,817,001	\$ 4,785,824	\$ 19,602,825
Cash and Investments - Restricted	-	486,970	486,970
Accounts Receivable, Net	208,261	1,464,195	1,672,456
Property Taxes Receivable	72,555	-	72,555
Special Assessments Receivable	46,639	27,018	73,657
Accrued Interest Receivable	34,618	50,879	85,497
Interfund Balances	(1,062,070)	1,062,070	-
Due from Other Governments	940,472	526,492	1,466,964
Inventories	-	271,608	271,608
Prepaid Items	184,049	1,187,511	1,371,560
Property Held for Resale	2,519,667	-	2,519,667
Notes Receivable	126,328	-	126,328
Lease Receivable	257,136	-	257,136
Acquisition Costs, Net of Amortization	-	31,817	31,817
Net Pension Asset	270,272	-	270,272
Capital Assets Not Being Depreciated/Amortized:			
Land	2,709,157	1,588,778	4,297,935
Land Improvements	100,938	-	100,938
Construction in Progress	2,471,627	12,413,507	14,885,134
Capital Assets Being Depreciated/Amortized:			
Other Capital Assets, Net of Depreciation	24,502,851	33,178,113	57,680,964
Intangible Right-to-Use Assets, Net of Amortization	545,317	-	545,317
Total Assets	<u>48,744,818</u>	<u>57,074,782</u>	<u>105,819,600</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Refunding Bonds	1,720	21,606	23,326
Pension Related	3,071,682	562,939	3,634,621
Other Postemployment Benefits Related	24,773	14,876	39,649
Total Deferred Outflows of Resources	<u>3,098,175</u>	<u>599,421</u>	<u>3,697,596</u>
<b>LIABILITIES</b>			
Accounts Payable	277,477	510,868	788,345
Contracts Payable	180,843	751,934	932,777
Accrued Salaries and Fringes	105,384	53,441	158,825
Accrued Interest Payable	48,570	268,839	317,409
Due to Other Governments	54,277	75,951	130,228
Deposits Payable	14,372	130,621	144,993
Unearned Revenue	285,095	16,542	301,637
Long-Term Liabilities:			
Net Pension Liability	5,364,213	1,879,174	7,243,387
Other Postemployment Benefits Liability Due Within One Year	14,378	8,636	23,014
Other Postemployment Benefits Liability Due in More than One Year	339,657	186,755	526,412
Due Within One Year	533,698	1,015,499	1,549,197
Due in More than One Year	4,377,057	19,636,612	24,013,669
Total Liabilities	<u>11,595,021</u>	<u>24,534,872</u>	<u>36,129,893</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	217,991	40,933	258,924
Other Postemployment Benefits Related	108,631	67,422	176,053
Lease Related	243,958	-	243,958
Total Deferred Inflows of Resources	<u>570,580</u>	<u>108,355</u>	<u>678,935</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	26,100,332	26,471,379	52,571,711
Restricted for:			
Police Seizures	35,140	-	35,140
Gilwood Haven	227,735	-	227,735
Debt Service	-	486,970	486,970
Library	328,018	-	328,018
Port Authority	157,327	-	157,327
Revolving Loans	745,344	-	745,344
Capital Improvements	-	26,389	26,389
Transportation	642,724	-	642,724
Firefighter Pension	270,272	-	270,272
Unrestricted	11,170,500	6,046,238	17,216,738
Total Net Position	<u>\$ 39,677,392</u>	<u>\$ 33,030,976</u>	<u>\$ 72,708,368</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 1,492,317	\$ 318,991	\$ 11,532	\$ -
Public Safety	2,740,172	225,681	226,793	180,684
Highways and Streets	1,900,909	5,741	103,980	646,999
Culture and Recreation	3,081,340	793,521	58,181	150,149
Economic Development	361,760	18,506	186,492	-
Airport	611,674	366,887	68,825	40,720
Community Development	4,489	-	-	-
Interest and Fiscal Charges	134,204	-	-	-
Total Governmental Activities	10,326,865	1,729,327	655,803	1,018,552
<b>BUSINESS-TYPE ACTIVITIES</b>				
Municipal Liquor Store	2,529,525	2,642,259	557	-
Water Utility	1,503,421	1,693,140	586	155,356
Sewer Utility	1,313,577	1,058,139	519	180,838
Storm Sewer Utility	353,121	352,582	211	801,593
Electric Utility	6,098,677	7,228,370	1,923	-
Total Business-Type Activities	11,798,321	12,974,490	3,796	1,137,787
Total	\$ 22,125,186	\$ 14,703,817	\$ 659,599	\$ 2,156,339

**GENERAL REVENUES**

Taxes:

- Property Taxes, Levied for General Purpose
- Franchise Taxes
- Hotel/Motel Taxes
- Intergovernmental Revenues, Not Restricted to Specific Programs
- Investment Loss
- Gain on Disposal of Capital Assets
- Miscellaneous
- Transfers

Total General Revenues and Transfers

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

**NET POSITION - END OF YEAR**

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (1,161,794)	\$ -	\$ (1,161,794)
(2,107,014)	-	(2,107,014)
(1,144,189)	-	(1,144,189)
(2,079,489)	-	(2,079,489)
(156,762)	-	(156,762)
(135,242)	-	(135,242)
(4,489)	-	(4,489)
(134,204)	-	(134,204)
(6,923,183)	-	(6,923,183)
-	113,291	113,291
-	345,661	345,661
-	(74,081)	(74,081)
-	801,265	801,265
-	1,131,616	1,131,616
-	2,317,752	2,317,752
(6,923,183)	2,317,752	(4,605,431)
3,603,967	-	3,603,967
246,873	-	246,873
52,952	-	52,952
1,724,474	-	1,724,474
(863,904)	(642,308)	(1,506,212)
52,643	-	52,643
210,497	243,899	454,396
2,117,935	(2,117,935)	-
7,145,437	(2,516,344)	4,629,093
222,254	(198,592)	23,662
39,455,138	33,229,568	72,684,706
\$ 39,677,392	\$ 33,030,976	\$ 72,708,368

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
BALANCE SHEET — GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

<b>ASSETS</b>	General	Capital Projects	Fire Equipment Replacement	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 5,061,418	\$ 7,522,610	\$ 371,419	\$ 1,239,135	\$ 14,194,582
Accounts Receivable, Net	147,691	26,666	-	5,844	180,201
Property Taxes Receivable	58,884	-	1,839	11,832	72,555
Special Assessments Receivable	46,639	-	-	-	46,639
Accrued Interest Receivable	14,052	16,564	-	3,887	34,503
Advances to Other Funds	671,808	-	-	-	671,808
Due from Other Funds	5,073	-	-	-	5,073
Due from Other Governments	708,252	47,338	41,856	142,473	939,919
Prepaid Items	106,252	109	69	72,408	178,838
Property Held for Resale	-	-	-	2,519,667	2,519,667
Notes Receivable	-	-	-	126,328	126,328
Lease Receivable	18,697	-	-	238,439	257,136
Total Assets	<u>\$ 6,838,766</u>	<u>\$ 7,613,287</u>	<u>\$ 415,183</u>	<u>\$ 4,360,013</u>	<u>\$ 19,227,249</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 159,860	\$ 3,147	\$ -	\$ 67,416	\$ 230,423
Contracts Payable	1,120	175,173	-	4,550	180,843
Accrued Salaries and Fringes	92,646	-	-	10,872	103,518
Due to Other Funds	19,220	-	-	7,384	26,604
Due to Other Governments	9,353	44,900	-	24	54,277
Advances from Other Funds	-	-	-	671,808	671,808
Deposits Payable	3,372	-	-	11,000	14,372
Unearned Revenue	223,553	1,500	49,858	10,184	285,095
Total Liabilities	<u>509,124</u>	<u>224,720</u>	<u>49,858</u>	<u>783,238</u>	<u>1,566,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Lease Related	18,507	-	-	225,451	243,958
Unavailable Revenue - Taxes and Special Assessments	70,625	-	1,284	9,578	81,487
Unavailable Revenue - Loans	-	-	-	126,328	126,328
Unavailable Revenue - Grants and Other	645,544	-	-	86,411	731,955
Unavailable Revenue - Pledges	-	25,145	-	-	25,145
Total Deferred Inflows of Resources	<u>734,676</u>	<u>25,145</u>	<u>1,284</u>	<u>447,768</u>	<u>1,208,873</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid Items	106,252	109	69	72,408	178,838
Advance	671,808	-	-	-	671,808
Property Held for Resale	-	-	-	2,519,667	2,519,667
Restricted for:					
Police Seizures	35,140	-	-	-	35,140
Gilwood Haven	227,735	-	-	-	227,735
Library	-	-	-	316,692	316,692
Port Authority	-	-	-	157,327	157,327
Revolving Loans	-	-	-	619,017	619,017
Capital Expenditures	-	485,798	-	-	485,798
Committed to:					
Fire Equipment	-	-	363,972	-	363,972
Economic Development	-	338,455	-	-	338,455
Capital Expenditures	-	694,990	-	-	694,990
Assigned to:					
Fire Relief Contribution	84,924	-	-	-	84,924
Capital Projects - Reflections	-	5,844,070	-	-	5,844,070
Airport Projects	-	-	-	121,074	121,074
Unassigned:	4,469,107	-	-	(677,178)	3,791,929
Total Fund Balances	<u>5,594,966</u>	<u>7,363,422</u>	<u>364,041</u>	<u>3,129,007</u>	<u>16,451,436</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,838,766</u>	<u>\$ 7,613,287</u>	<u>\$ 415,183</u>	<u>\$ 4,360,013</u>	<u>\$ 19,227,249</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, 2022**

<b>Total Fund Balance for Governmental Funds</b>		<b>\$ 16,451,436</b>
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	\$ 2,657,257	
Land Improvements	100,938	
Construction in Progress	2,471,627	
Land Improvements, Net of Accumulated Depreciation	1,390,163	
Buildings, Net of Accumulated Depreciation	8,715,555	
Infrastructure, Net of Accumulated Depreciation	8,086,986	
Machinery and Shop Equipment, Net of Accumulated Depreciation	2,967,264	
Right-to-Use Assets, Net of Accumulated Amortization	<u>545,317</u>	
		26,935,107
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.		
		964,915
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.		
		(43,222)
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.		
		2,200,968
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		270,272
Net Pension Liability		(5,288,039)
Deferred Outflows of Resources - Pension Related		3,048,863
Deferred Inflows of Resources - Pension Related		(216,331)
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		(347,912)
Deferred Outflows of Resources - OPEB Related		24,153
Deferred Inflows of Resources - OPEB Related		(105,822)
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	(3,307,750)	
Unamortized Cost of Refunding	1,720	
Compensated Absences Payable	(358,363)	
Lease Liability	<u>(552,603)</u>	
		<u>(4,216,996)</u>
<b>Total Net Position of Governmental Activities</b>		<b>\$ <u>39,677,392</u></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, 2022**

	General	Capital Projects	Fire Equipment Replacement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Tax Levies	\$ 3,007,174	\$ 181,100	\$ 135,281	\$ 571,757	\$ 3,895,312
Intergovernmental	2,256,497	367,085	73,651	466,504	3,163,737
Charges for Services	863,029	-	-	395,391	1,258,420
Fees, Licenses and Permits	192,152	-	-	-	192,152
Fines and Forfeits	30,269	-	-	3,377	33,646
Investment Earnings (Loss)	(402,191)	(348,738)	(20,437)	(88,743)	(860,109)
Contributions	18,519	42,000	2,680	3,367	66,566
Miscellaneous	151,538	500	-	22,013	174,051
Total Revenues	<u>6,116,987</u>	<u>241,947</u>	<u>191,175</u>	<u>1,373,666</u>	<u>7,923,775</u>
<b>EXPENDITURES</b>					
Current:					
General Government	1,099,857	-	-	44	1,099,901
Public Safety	2,396,660	-	279	-	2,396,939
Highways and Streets	1,257,540	56,485	-	-	1,314,025
Culture and Recreation	1,817,575	115,795	-	448,450	2,381,820
Economic Development	62,593	-	-	277,222	339,815
Airport	-	-	-	402,352	402,352
Capital Outlay	382,837	2,233,166	1,146,527	741,560	4,504,090
Debt Service:					
Principal	75,737	-	600,347	83,983	760,067
Interest	15,796	-	24,191	25,596	65,583
Fiscal Agent Fees	-	55,691	311	199	56,201
Total Expenditures	<u>7,108,595</u>	<u>2,461,137</u>	<u>1,771,655</u>	<u>1,979,406</u>	<u>13,320,793</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	(991,608)	(2,219,190)	(1,580,480)	(605,740)	(5,397,018)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	582,989	3,250,086	-	194,567	4,027,642
Transfers Out	(643,050)	(83,394)	-	(1,254,946)	(1,981,390)
Bond Proceeds	-	1,845,000	-	-	1,845,000
Premium on Bonds	-	12,964	-	-	12,964
Sale of Assets	120,000	-	23,756	-	143,756
Total Other Financing Sources (Uses)	<u>59,939</u>	<u>5,024,656</u>	<u>23,756</u>	<u>(1,060,379)</u>	<u>4,047,972</u>
<b>NET CHANGE IN FUND BALANCES</b>	(931,669)	2,805,466	(1,556,724)	(1,666,119)	(1,349,046)
Fund Balances - Beginning of Year	<u>6,526,635</u>	<u>4,557,956</u>	<u>1,920,765</u>	<u>4,795,126</u>	<u>17,800,482</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 5,594,966</u>	<u>\$ 7,363,422</u>	<u>\$ 364,041</u>	<u>\$ 3,129,007</u>	<u>\$ 16,451,436</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, 2022**

**Net Change in Fund Balance - Total Governmental Funds** \$ (1,349,046)

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

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

Capital Outlays	\$ 4,480,127	
Net Book Value of Disposed Assets	(91,112)	
Depreciation and Amortization Expense	<u>(1,578,326)</u>	2,810,689

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. (33,762)

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	(1,845,000)	
Repayment of Bonds	83,982	
Repayment of Finance Lease Purchase	600,347	
Repayment of Lease Liability	<u>75,737</u>	(1,084,934)

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, 2021	(806,415)	
Deferred Inflows - December 31, 2022	<u>964,915</u>	158,500

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. (34,183)

OPEB expenditures on the governmental funds are measured by current year employer payment of benefits. OPEB expenses on the statement of activities are measured by the change in OPEB liability and related inflows and outflows of resources. (3,177)

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. (166,532)

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. (75,301)

**Change in Net Position of Governmental Activities** \$ 222,254

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS**  
**DECEMBER 31, 2022**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,177,684	\$ 585,956	\$ 2,061,481	\$ 295,031
Cash and Cash Equivalents - Restricted	-	-	486,970	-
Accounts Receivable, Net	136,153	224,209	1,035,265	-
Special Assessments Receivable	19,976	3,296	1,798	-
Accrued Interest Receivable	10,473	5,668	29,500	2,737
Due from Other Funds	485	876	36,076	-
Due from Other Governmental Units	180,838	155,356	-	-
Inventories	-	-	-	271,608
Prepaid Items	9,367	71,434	1,100,934	4,924
Total Current Assets	<u>1,534,976</u>	<u>1,046,795</u>	<u>4,752,024</u>	<u>574,300</u>
<b>NONCURRENT ASSETS</b>				
Acquisition Costs, Net of Amortization	-	-	31,817	-
Capital Assets:				
Land	35,524	54,538	271,256	42,900
Construction in Progress	5,487,918	3,321,190	1,482,164	-
Buildings and Improvements	12,578,119	16,488,133	24,179,569	601,262
Machinery and Equipment	2,377,671	1,779,487	3,318,320	203,473
Total Capital Assets	<u>20,479,232</u>	<u>21,643,348</u>	<u>29,251,309</u>	<u>847,635</u>
Less: Accumulated Depreciation	<u>(9,288,614)</u>	<u>(5,812,831)</u>	<u>(14,209,032)</u>	<u>(437,165)</u>
Net Capital Assets	<u>11,190,618</u>	<u>15,830,517</u>	<u>15,042,277</u>	<u>410,470</u>
Total Noncurrent Assets	<u>11,190,618</u>	<u>15,830,517</u>	<u>15,074,094</u>	<u>410,470</u>
Total Assets	<u>12,725,594</u>	<u>16,877,312</u>	<u>19,826,118</u>	<u>984,770</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Refunding Bonds	3,485	2,934	14,808	-
Pension Related	76,924	86,871	285,184	82,626
Other Postemployment Benefits Related	2,479	2,479	6,819	2,479
Total Deferred Outflows of Resources	<u>82,888</u>	<u>92,284</u>	<u>306,811</u>	<u>85,105</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)**  
**DECEMBER 31, 2022**

Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ 665,672	\$ 4,785,824	\$ 622,419
-	486,970	-
68,568	1,464,195	28,060
1,948	27,018	-
2,501	50,879	115
369	37,806	-
190,298	526,492	553
-	271,608	-
852	1,187,511	5,211
<u>930,208</u>	<u>8,838,303</u>	<u>656,358</u>
-	31,817	-
1,184,560	1,588,778	51,900
2,122,235	12,413,507	-
1,946,754	55,793,837	1,395,395
59,425	7,738,376	4,565,128
<u>5,312,974</u>	<u>77,534,498</u>	<u>6,012,423</u>
(606,458)	(30,354,100)	(2,617,640)
<u>4,706,516</u>	<u>47,180,398</u>	<u>3,394,783</u>
<u>4,706,516</u>	<u>47,212,215</u>	<u>3,394,783</u>
5,636,724	56,050,518	4,051,141
379	21,606	-
31,334	562,939	22,819
620	14,876	620
<u>32,333</u>	<u>599,421</u>	<u>23,439</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)**  
**DECEMBER 31, 2022**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>LIABILITIES</b>				
Accounts Payable	\$ 23,976	\$ 30,827	\$ 342,610	\$ 107,416
Contracts Payable	294,248	175,186	171,470	-
Accrued Salaries and Fringes	7,062	8,356	26,589	8,779
Accrued Interest Payable	105,557	112,587	7,066	-
Due to Other Funds	8,209	4,800	250	1,650
Due to Other Governmental Units	-	3,538	44,492	27,921
Customer Deposits	-	-	130,621	-
Current Portion of Compensated Absences	19,463	22,091	50,568	16,314
Current Portion of Other Postemployment Benefits Liability	1,440	1,440	3,957	1,439
Current Portion of Bonds Payable	107,378	384,096	404,000	-
Total Current Liabilities	<u>567,333</u>	<u>742,921</u>	<u>1,181,623</u>	<u>163,519</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated Absences	23,451	26,919	55,990	27,068
Other Postemployment Benefits Liability	29,762	30,777	93,470	29,177
Net Pension Liability	256,783	289,988	951,988	275,818
Bonds Payable - Long-Term	5,665,777	8,317,358	3,351,737	-
Unearned Revenue	-	-	16,542	-
Total Noncurrent Liabilities	<u>5,975,773</u>	<u>8,665,042</u>	<u>4,469,727</u>	<u>332,063</u>
Total Liabilities	6,543,106	9,407,963	5,651,350	495,582
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	5,593	6,317	20,737	6,008
Other Postemployment Benefits Related	11,237	11,237	30,902	11,237
Total Deferred Inflows of Resources	<u>16,830</u>	<u>17,554</u>	<u>51,639</u>	<u>17,245</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,331,159	7,069,476	11,129,878	410,470
Restricted for Capital Improvements	26,389	-	-	-
Restricted for Bond Reserve Funds	-	-	486,970	-
Unrestricted	890,998	474,603	2,813,092	146,578
Total Net Position	<u>\$ 6,248,546</u>	<u>\$ 7,544,079</u>	<u>\$ 14,429,940</u>	<u>\$ 557,048</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, 2022**

Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ 6,039	\$ 510,868	\$ 47,054
111,030	751,934	-
2,655	53,441	1,866
43,629	268,839	5,348
-	14,909	1,366
-	75,951	-
-	130,621	-
5,755	114,191	6,556
360	8,636	360
5,834	901,308	51,000
<u>175,302</u>	<u>2,830,698</u>	<u>113,550</u>
3,504	136,932	8,483
3,569	186,755	5,763
104,597	1,879,174	76,174
2,164,808	19,499,680	626,000
-	16,542	-
<u>2,276,478</u>	<u>21,719,083</u>	<u>716,420</u>
2,451,780	24,549,781	829,970
2,278	40,933	1,660
2,809	67,422	2,809
<u>5,087</u>	<u>108,355</u>	<u>4,469</u>
2,530,396	26,471,379	2,717,783
-	26,389	-
-	486,970	-
681,794	5,007,065	522,358
<u>\$ 3,212,190</u>	<u>31,991,803</u>	<u>\$ 3,240,141</u>
	<u>1,039,173</u>	
	<u>\$ 33,030,976</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, 2022**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>OPERATING REVENUE</b>				
Sales	\$ -	\$ -	\$ -	\$ 2,642,259
Cost of Sales	-	-	-	(1,957,164)
Charges for Services	1,034,577	1,674,355	6,880,322	-
Miscellaneous	23,562	18,785	348,048	-
Total Operating Revenue	<u>1,058,139</u>	<u>1,693,140</u>	<u>7,228,370</u>	<u>685,095</u>
<b>OPERATING EXPENSES</b>				
Personnel Services	365,274	414,116	1,269,850	415,578
Administration and General	220,482	143,491	276,497	36,969
Supplies, Repairs, Services, and Rents	216,585	262,943	3,509,030	27,697
Depreciation and Amortization	283,881	420,078	909,209	28,166
Benefits or Claims Paid	-	-	-	-
Miscellaneous	53,172	5,783	14,045	60,289
Total Operating Expenses	<u>1,139,394</u>	<u>1,246,411</u>	<u>5,978,631</u>	<u>568,699</u>
<b>OPERATING INCOME (LOSS)</b>	(81,255)	446,729	1,249,739	116,396
<b>OTHER INCOME (EXPENSE)</b>				
Intergovernmental Revenues	181,357	155,942	1,923	557
Investment Earnings (Loss)	(194,492)	(67,691)	(318,022)	(17,784)
Miscellaneous Revenues	6,633	19,500	194,380	1,474
Interest Expense	(166,548)	(246,423)	(100,742)	(3,662)
Gain on Sale of Capital Assets	-	-	-	-
Total Other Income (Expense)	<u>(173,050)</u>	<u>(138,672)</u>	<u>(222,461)</u>	<u>(19,415)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(254,305)	308,057	1,027,278	96,981
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Transfers In	-	-	-	-
Transfers Out	(1,012,034)	(98,291)	(881,011)	(122,165)
Capital Contributions	-	-	-	-
Total Transfers and Capital Contributions	<u>(1,012,034)</u>	<u>(98,291)</u>	<u>(881,011)</u>	<u>(122,165)</u>
<b>CHANGE IN NET POSITION</b>	(1,266,339)	209,766	146,267	(25,184)
Net Position - Beginning of Year	<u>7,514,885</u>	<u>7,334,313</u>	<u>14,283,673</u>	<u>582,232</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,248,546</u>	<u>\$ 7,544,079</u>	<u>\$ 14,429,940</u>	<u>\$ 557,048</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, 2022**

Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ -	\$ 2,642,259	\$ -
-	(1,957,164)	-
350,501	9,939,755	1,974,684
2,081	392,476	17,955
<u>352,582</u>	<u>11,017,326</u>	<u>1,992,639</u>
143,688	2,608,506	101,295
33,747	711,186	54,818
61,868	4,078,123	299,350
56,870	1,698,204	386,931
-	-	1,309,497
9,579	142,868	2,485
<u>305,752</u>	<u>9,238,887</u>	<u>2,154,376</u>
46,830	1,778,439	(161,737)
643,300	983,079	154
(44,319)	(642,308)	(28,307)
21,912	243,899	-
(43,868)	(561,243)	(12,943)
-	-	14,822
<u>577,025</u>	<u>23,427</u>	<u>(26,274)</u>
623,855	1,801,866	(188,011)
-	-	71,683
(4,434)	(2,117,935)	-
158,504	158,504	-
<u>154,070</u>	<u>(1,959,431)</u>	<u>71,683</u>
777,925	(157,565)	(116,328)
<u>2,434,265</u>		<u>3,356,469</u>
<u>\$ 3,212,190</u>		<u>\$ 3,240,141</u>
	<u>(41,027)</u>	
	<u>\$ (198,592)</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts from Customers	\$ 870,592	\$ 1,509,244	\$ 7,155,959	\$ 2,643,146
Cash Paid to Suppliers	(484,839)	(412,319)	(3,431,282)	(2,065,049)
Cash Paid to Employees	(354,154)	(402,413)	(1,240,972)	(398,096)
Other Receipts	6,633	19,500	194,380	2,031
Unrestricted Donations and Grant Receipts	181,357	155,942	1,923	-
Net Cash Flows Provided by Operating Activities	219,589	869,954	2,680,008	182,032
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to Other Funds	(1,012,034)	(98,291)	(881,011)	(122,165)
Transfers from Other Funds	-	-	-	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(1,012,034)	(98,291)	(881,011)	(122,165)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	(5,098,303)	(3,151,569)	(2,220,635)	-
Cash Received for Capital	-	-	-	-
Proceeds from Issuance of Bonds	4,934,717	2,580,862	-	-
Principal Paid on Bonds	(91,712)	(332,074)	(395,000)	(49,999)
Interest, Paying Agent Fees	(66,137)	(198,544)	(96,641)	(2,387)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(321,435)	(1,101,325)	(2,712,276)	(52,386)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on Investments	(195,284)	(68,454)	(314,183)	(17,728)
Net Cash Flows Used by Investing Activities	(195,284)	(68,454)	(314,183)	(17,728)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(1,309,164)	(398,116)	(1,227,462)	(10,247)
Cash and Cash Equivalents - Beginning of Year	2,486,848	984,072	3,775,913	305,278
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,177,684</b>	<b>\$ 585,956</b>	<b>\$ 2,548,451</b>	<b>\$ 295,031</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**

Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ 329,422	\$ 12,508,363	\$ 2,041,906
(99,556)	(6,493,045)	(1,663,868)
(137,298)	(2,532,933)	(98,130)
21,912	244,456	-
-	339,222	-
114,480	4,066,063	279,908
(4,434)	(2,117,935)	-
-	-	71,886
(4,434)	(2,117,935)	71,886
(2,422,359)	(12,892,866)	(63,119)
453,002	453,002	-
2,134,421	9,650,000	-
(7,232)	(876,017)	(50,000)
(330)	(364,039)	(13,338)
157,502	(4,029,920)	(126,457)
(45,755)	(641,404)	(27,702)
(45,755)	(641,404)	(27,702)
221,793	(2,723,196)	197,635
443,879	7,995,990	424,784
<u>\$ 665,672</u>	<u>\$ 5,272,794</u>	<u>\$ 622,419</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**

	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)	\$ (81,255)	\$ 446,729	\$ 1,249,739	\$ 116,396
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	283,881	420,078	909,209	28,166
Operating Grants and Miscellaneous Revenue	187,990	175,442	196,303	2,031
Deferred Outflows:				
Receivables	(6,941)	(28,568)	(109,805)	-
Due from Other Funds	16	28	1,271	-
Due from Other Governments	(180,622)	(155,356)	45,840	638
Inventories	-	-	-	(27,855)
Prepaid Items	(1,487)	(15,465)	301,459	303
Deferred Outflows of Resources - Pension	23,562	26,529	78,254	22,613
Deferred Outflows of Resources - OPEB	(298)	(298)	(821)	(298)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	9,804	19,891	45,831	43,612
Contracts Payable	-	-	-	(945)
Accrued Salaries and Fringes	254	726	2,684	5,286
Due to Other Funds	(2,917)	454	53	249
Due to Other Governments	-	(4,982)	20,947	1,955
Unearned Revenue	-	-	(5,695)	-
OPEB Liability	3,092	3,091	8,503	3,092
Other Accrued Liabilities	3,962	3,078	(15,296)	-
Customer Deposits	-	-	(4,022)	-
Net Pension Liability	115,270	130,289	440,165	127,613
Deferred Inflows of Resources - Pension	(132,254)	(149,244)	(477,824)	(138,356)
Deferred Inflows of Resources - OPEB	(2,468)	(2,468)	(6,787)	(2,468)
Net Cash Flows Provided by Operating Activities	<u>\$ 219,589</u>	<u>\$ 869,954</u>	<u>\$ 2,680,008</u>	<u>\$ 182,032</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Capital Assets on Account	\$ 294,248	\$ 175,186	\$ 171,470	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA**  
**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**

Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ 46,830	\$ 1,778,439	\$ (161,737)
56,870	1,698,204	386,931
21,912	583,678	154
(23,142)	(168,456)	49,095
(18)	1,297	-
-	(289,500)	172
-	(27,855)	-
(401)	284,409	1,002
8,181	159,139	6,859
(75)	(1,790)	(75)
6,039	125,177	(210)
-	(945)	-
1,108	10,058	2,238
-	(2,161)	-
-	17,920	(4)
-	(5,695)	-
773	18,551	773
-	(8,256)	-
-	(4,022)	-
48,949	862,286	34,379
(51,929)	(949,607)	(39,052)
(617)	(14,808)	(617)
<u>\$ 114,480</u>	<u>\$ 4,066,063</u>	<u>\$ 279,908</u>

\$ 111,597    \$ 752,501    \$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022**

**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, 2022**

**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.

**Fire Equipment Replacement Fund**

The Fire Equipment Replacement Fund is a special revenue fund used to account for activity associated with equipment replacements in the fire department.

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, 2022**

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

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

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

**Municipal Liquor Fund**

The Municipal 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 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, 2022**

**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, depreciation expense on capital assets and amortization expense on right-to-use 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, 2022**

**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, 2022, 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 \$23,000 for the General Fund, \$36,000 for the Electric Fund, and \$2,000 for the aggregate remaining funds at December 31, 2022.

**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, 2022**

**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, 2022**

**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. Additionally, prepaid supplies that are to be used on future projects or repairs are recorded as prepaid items.

**O. Capital Assets**

Capital assets, which include property, plant, equipment, right-to-use, 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, 2022**

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

**O. Capital Assets (Continued)**

Depreciation and amortization on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation and amortization reflected in the statement of net position. Capital assets are depreciated or amortized 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, Furniture, and Right-to-Use Equipment	3 to 20 Years

**P. Leases**

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position when the City is the lessor, and as right-to-use assets and lease liabilities when the City is the lessee.

**Lessor**

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

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required, and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**P. Leases (Continued)**

**Lessee**

Right-to-use assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the City will exercise that option.

The City accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to eliminate the price of such components, the City treats the components as a single lease unit.

Significant lease terms are disclosed in Note 5.

**Q. 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 assets that applies to a future period. The City will not recognize the related outflow until a future event occurs.

**R. 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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**S. 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.

**T. 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.

**U. 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.

**V. 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 assets that applies to a future period. The City will not recognize the related revenue until a future event occurs.



**CITY OF REDWOOD FALLS, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**W. 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.
- **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.

**X. 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 and right-to-use assets, net of accumulated amortization, reduced by the outstanding balance of any debt or lease liability 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, 2022**

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

**Y. 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.

**Z. Adoption Of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the earliest period presented.

**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 balance sheet — governmental funds as Cash and Investments. In accordance with Minnesota Statutes the City maintains deposits at financial institutions which are authorized by the City Council.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**A. Deposits (Continued)**

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 includes: 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, 2022, were entirely covered by federal depository insurance and collateral in accordance with Minnesota Statutes.

**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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**B. Investments (Continued)**

**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.

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, 2022, 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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**B. Investments (Continued)**

**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	\$ 5,027,086	\$ 729,557	\$ 146,236	\$ 2,110,514	\$ 2,040,779
Municipal Securities	10,175,154	1,088,105	1,540,653	4,490,124	3,056,272
Total	<u>\$ 15,202,240</u>	<u>\$ 1,817,662</u>	<u>\$ 1,686,889</u>	<u>\$ 6,600,638</u>	<u>\$ 5,097,051</u>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The 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	\$ 5,027,086
Municipal Securities	Aaa	2,538,808
Municipal Securities	Aa1	2,418,539
Municipal Securities	Aa2	3,364,142
Municipal Securities	Aa3	1,062,884
Municipal Securities	A1	91,255
Municipal Securities	A2	699,526
Total		<u>\$ 15,202,240</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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**B. Investments (Continued)**

**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:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	\$ 2,438,203	16.0 %
Federal Farm Credit Bank Bond	2,094,669	13.8

**Fair Value Measurement**

City Investments are measured as follows:

	<u>December 31, 2022</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
U.S. Government Agencies	\$ 4,969,596	\$ -	\$ 4,969,596	\$ -
U.S. Government Agencies - Mortgage Backed	57,490	-	57,490	-
Municipal Bonds	10,175,154	-	10,175,154	-
Total Investments by Fair Value Level	<u>\$ 15,202,240</u>	<u>\$ -</u>	<u>\$ 15,202,240</u>	<u>\$ -</u>

**C. Financial Statement Presentation**

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

	<u>Cash and Investments</u>	<u>Cash and Investments - Restricted</u>	<u>Total</u>
Enterprise Funds	\$ 4,785,824	\$ 486,970	\$ 5,272,794
Governmental Funds	14,194,582	-	14,194,582
Internal Service Funds	622,419	-	622,419
Total Primary Government	<u>\$ 19,602,825</u>	<u>\$ 486,970</u>	<u>\$ 20,089,795</u>
Petty Cash and Change Fund	\$ 2,470		
Investments	15,202,240		
Deposits	4,885,085		
Total Deposits and Investments	<u>\$ 20,089,795</u>		

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CAPITAL ASSETS**

Governmental capital asset and right-to-use asset activity for the year ended December 31, 2022 was as follows:

	** Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities, Including Internal Service Funds					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,058,380	\$ 710,777	\$ (60,000)	\$ -	\$ 2,709,157
Land Improvements	100,938	-	-	-	100,938
Construction in Progress	465,887	2,076,669	(70,929)	-	2,471,627
Total Capital Assets, Not Being Depreciated	2,625,205	2,787,446	(130,929)	-	5,281,722
Capital Assets, Being Depreciated:					
Land Improvements	2,066,431	145,792	-	180,808	2,393,031
Buildings	18,681,253	-	(202,326)	209,777	18,688,704
Infrastructure	21,290,378	44,900	(16,566)	(29,167)	21,289,545
Machinery and Shop Equipment	8,656,673	1,866,655	(585,086)	(361,418)	9,576,824
Office Equipment and Furniture	189,981	-	-	-	189,981
Library Books	677,362	-	-	-	677,362
Total Capital Assets, Being Depreciated	51,562,078	2,057,347	(803,978)	-	52,815,447
Accumulated Depreciation for:					
Land Improvements	(760,418)	(109,261)	-	(133,189)	(1,002,868)
Buildings	(8,113,814)	(504,766)	171,212	(130,386)	(8,577,754)
Infrastructure	(12,538,706)	(708,836)	16,566	28,417	(13,202,559)
Machinery and Shop Equipment	(4,707,151)	(559,371)	369,292	235,158	(4,662,072)
Office Equipment and Furniture	(189,981)	-	-	-	(189,981)
Library Books	(677,362)	-	-	-	(677,362)
Total Accumulated Depreciation	(26,987,432)	(1,882,234)	557,070	-	(28,312,596)
Total Capital Assets, Being Depreciated, Net	24,574,646	175,113	(246,908)	-	24,502,851
Intangible Right-to-Use Assets:					
Leased Buildings	621,480	-	-	-	621,480
Leased Equipment	6,860	-	-	-	6,860
Total Intangible Right-to-Use Assets	628,340	-	-	-	628,340
Accumulated Amortization for:					
Leased Buildings	-	(81,063)	-	-	(81,063)
Leased Equipment	-	(1,960)	-	-	(1,960)
Total Accumulated Amortization	-	(83,023)	-	-	(83,023)
Total Intangible Right-to-Use Assets, Net	628,340	(83,023)	-	-	545,317
Governmental Activities Capital Assets, Net	<u>\$ 27,828,191</u>	<u>\$ 2,879,536</u>	<u>\$ (377,837)</u>	<u>\$ -</u>	<u>\$ 30,329,890</u>

\*\* The beginning balance was restated due to the implementation of GASB Statement No. 87. See Note 1.Z.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

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

<u>Governmental Activities</u>	
General Government	\$ 57,950
Public Safety	162,771
Highways and Streets	950,306
Culture and Recreation	587,637
Airport	202,148
Community Development	4,445
Total Depreciation and Amortization Expense, Governmental Activities	<u>\$ 1,965,257</u>

Business-type capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 952,306	\$ 636,472	\$ -	\$ -	\$ 1,588,778
Construction in Progress	1,357,957	12,570,809	(1,515,259)	-	12,413,507
Total Capital Assets, Not Being Depreciated	2,310,263	13,207,281	(1,515,259)	-	14,002,285
Capital Assets, Being Depreciated:					
Buildings and Improvements	54,298,497	1,614,118	(118,778)	-	55,793,837
Machinery and Shop Equipment	7,588,338	170,055	(20,017)	-	7,738,376
Total Capital Assets, Being Depreciated	61,886,835	1,784,173	(138,795)	-	63,532,213
Accumulated Depreciation for:					
Buildings and Improvements	(23,169,861)	(1,433,296)	118,778	-	(24,484,379)
Machinery and Shop Equipment	(5,640,738)	(249,000)	20,017	-	(5,869,721)
Total Accumulated Depreciation	(28,810,599)	(1,682,296)	138,795	-	(30,354,100)
Total Capital Assets, Being Depreciated, Net	33,076,236	101,877	-	-	33,178,113
Business-Type Activities					
Capital Assets, Net	<u>\$ 35,386,499</u>	<u>\$ 13,309,158</u>	<u>\$ (1,515,259)</u>	<u>\$ -</u>	<u>\$ 47,180,398</u>

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

<u>Business-Type Activities</u>	
Municipal Liquor Store	\$ 28,166
Water Utility	420,078
Sewer Utility	283,881
Storm Sewer Utility	56,870
Electric Utility	893,301
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,682,296</u>



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CITY INDEBTEDNESS**

City indebtedness at December 31, 2022, is comprised of the following:

	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Payable December 31, 2022
Governmental Activities, Including Internal Service Funds					
General Obligation Bonds:					
Refunding Bonds - Series 2014A	2/27/14	2/1/2024	.35 - 2.50%	\$ 484,042	\$ 83,777
General Obligation Bonds -Series 2020B Refunding	10/1/2020	2/1/2029	.55 - 1.3%	269,181	194,163
General Obligation Bonds -Series 2021A	5/6/2021	2/1/2042	1.0 - 2.0%	1,184,810	1,184,810
General Obligation Street Reconstruction Bonds -Series 2022A	6/1/2022	2/1/2043	3.5-3.875%	1,845,000	1,845,000
General Obligation Notes:					
Capital Impr Plan Note - Series 2020A Refunding	5/11/2020	2/1/2034	1.90%	780,000	677,000
Total Bonds and Notes				4,563,033	3,984,750
Lease Liability				628,340	552,603
Compensated Absences Payable				-	373,402
Total Governmental Activities				<u>\$ 5,191,373</u>	<u>\$ 4,910,755</u>
Business-Type Activities					
General Obligation Bonds:					
Refunding Bonds, Series 2014A					
- Water Portion	2/27/2014	2/1/2024	.35 - 2.50%	\$ 818,675	\$ 141,694
- Sewer Portion	2/27/2014	2/1/2024	.35 - 2.50%	517,283	89,530
General Obligation Bonds -Series 2020B Refunding					
- Water Portion	10/1/2020	2/1/2029	.55 - 1.3%	233,313	168,291
- Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	301,291	217,325
- Storm Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	50,215	36,221
General Obligation Bonds -Series 2021A					
- Water Portion	5/6/2021	2/1/2042	1.0 - 2.0%	1,143,607	1,143,607
- Sewer Portion	5/6/2021	2/1/2042	1.0 - 2.0%	531,583	531,583
General Obligation Revenue Bonds:					
Electric Revenue Refunding Bonds, Series 2013A	3/5/2013	12/1/2027	1 - 2.5%	2,065,000	755,000
Water Revenue Bonds, Series 2018A	10/1/2018	2/1/2034	3 - 3.25%	720,000	605,000
Electric Revenue Bonds, Series 2019A	11/19/2019	12/1/2031	2.35%	2,415,000	1,872,000
Electric Revenue Bonds, Series 2021B	10/5/2021	12/1/2036	1.90%	1,205,000	1,135,000
Utility Revenue Bonds, Series 2022A					
- Water Portion	6/1/2022	2/1/2043	3.5-3.875%	439,622	439,622
- Sewer Portion	6/1/2022	2/1/2043	3.5-3.875%	797,781	797,781
- Storm Sewer Portion	6/1/2022	2/1/2043	3.5-3.875%	412,597	412,597
Utility Revenue Bonds, Series 2022B					
- Water Portion	6/1/2022	2/1/2048	3.5-4%	2,141,240	2,141,240
- Sewer Portion	6/1/2022	2/1/2048	3.5-4%	4,136,936	4,136,936
- Storm Sewer Portion	6/1/2022	2/1/2048	3.5-4%	1,721,824	1,721,824
Notes from Direct Borrowings:					
General Obligation Water Revenue Bond of 2009	11/17/2009	8/20/2039	2.936%	6,526,070	4,062,000
Total Bonds				26,177,037	20,407,251
Unamortized Bond Discount				(107,447)	(6,263)
Compensated Absences Payable				-	251,123
Total Business-Type Activities				<u>\$ 26,069,590</u>	<u>\$ 20,652,111</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2022:

	** Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds/Notes Payable:</b>					
General Obligation Bonds	\$ 1,546,732	\$ 1,845,000	\$ 83,982	\$ 3,307,750	\$ 220,693
General Obligation Notes	727,000	-	50,000	677,000	51,000
Unamortized Bond Premium	-	12,964	12,964	-	-
Finance Purchase Agreement	600,347	-	600,347	-	-
Lease Liability	628,340	-	75,737	552,603	77,799
Compensated Absences Payable	337,009	364,805	328,412	373,402	184,206
Total	<u>3,839,428</u>	<u>2,222,769</u>	<u>1,151,442</u>	<u>4,910,755</u>	<u>533,698</u>
<b>Business-Type Activities:</b>					
<b>Bonds/Notes Payable:</b>					
General Obligation Bonds	2,537,268	-	209,017	2,328,251	269,309
General Obligation Revenue Bonds	4,852,000	9,650,000	485,000	14,017,000	444,000
G.O. Notes from Direct Borrowings	4,244,000	-	182,000	4,062,000	188,000
Compensated Absences Payable	233,172	211,729	193,778	251,123	114,190
Unamortized Bond Premium	-	64,655	64,655	-	-
Unamortized Bond Discount	(8,246)	-	(1,983)	(6,263)	-
Total	<u>11,858,194</u>	<u>9,926,384</u>	<u>1,132,467</u>	<u>20,652,111</u>	<u>1,015,499</u>
Total Indebtedness	<u>\$ 15,697,622</u>	<u>\$ 12,149,153</u>	<u>\$ 2,283,909</u>	<u>\$ 25,562,866</u>	<u>\$ 1,549,197</u>

\*\* The beginning balance was restated due to the implementation of GASB Statement No. 87. See Note 1.Z.

The City's outstanding notes from direct borrowings related to the Water Fund debt of \$4,062,000 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, 2022, is backed by the full faith and credit of the City, including special assessment bond issues.

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

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

*Lease Liability* - See Note 5 for further information on the lease liability.

*Finance Purchase Agreement* – The city entered into a finance purchase agreement in 2021 for the purchase of a fire truck. The liability was paid in full during the year ended December 31, 2022.

*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.

*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, 2022**

**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.

*General Obligation Street Reconstruction & Utility Revenue Bonds, Series 2022A* – On June 1, 2022, the City Council issued \$3,495,000 of General Obligation Street Reconstruction & Utility Revenue Bonds, Series 2022A. The bond has final maturity of February 1, 2043. The outstanding balance of the bonds bears interest ranging from 3.5% to 3.875% annually. The bond was issued in connection with funding the Drew Street utility and street reconstruction project.

*General Obligation Utility Revenue Bonds, Series 2022B* – On June 1, 2022, the City Council issued \$8,000,000 of General Obligation Utility Revenue Bonds, Series 2022B. The bond has final maturity of February 1, 2048. The outstanding balance of the bonds bears interest ranging from 3.5% to 4.0% annually. The bond was issued in connection with funding the first phase of the Reflection Prairie Addition residential development and the Reflection Ridge Business Park.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

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

Year Ending December 31,	Governmental Activities					
	General Obligation Bonds		General Obligation Notes		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 220,693	\$ 91,560	\$ 51,000	\$ 12,379	\$ 77,799	\$ 13,733
2024	261,894	77,215	52,000	11,400	79,917	11,615
2025	267,000	72,997	53,000	10,403	81,615	9,442
2026	238,163	68,720	54,000	9,386	82,389	7,242
2027	210,000	64,620	55,000	8,351	84,641	4,990
2028-2032	965,000	259,690	289,000	25,641	146,242	3,143
2033-2037	480,000	168,938	123,000	2,347	-	-
2038-2042	545,000	75,862	-	-	-	-
2043	120,000	2,325	-	-	-	-
Total	\$ 3,307,750	\$ 881,927	\$ 677,000	\$ 79,907	\$ 552,603	\$ 50,165

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
2023	\$ 269,309	\$ 31,770	\$ 444,000	\$ 514,671	\$ 188,000	\$ 119,260
2024	249,106	27,838	749,000	440,429	193,000	113,741
2025	136,000	25,313	768,000	419,515	199,000	108,074
2026	110,836	24,007	783,000	398,125	205,000	102,232
2027	138,000	22,590	798,000	375,942	211,000	96,213
2028-2032	525,000	92,674	3,230,000	1,568,168	1,149,000	384,528
2033-2037	430,000	63,845	2,390,000	1,127,243	1,329,000	205,579
2038-2042	470,000	23,910	2,220,000	738,275	588,000	26,013
2043-2047	-	-	2,175,000	306,834	-	-
2048	-	-	460,000	9,200	-	-
Total	\$ 2,328,251	\$ 311,947	\$ 14,017,000	\$ 5,898,402	\$ 4,062,000	\$ 1,155,640

**NOTE 5 LEASES**

**Lessee**

On September 2, 2014, the City entered into a long-term, noncancelable lease agreement with the County of Redwood for the leasing of office space. The lease will expire on August 31, 2029.

On July 9, 2020, the City entered into a long-term, noncancelable lease agreement with Quadient Leasing Inc. for the leasing of a postage meter. The lease will expire on July 14, 2025.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LEASES (CONTINUED)**

**Lessee (Continued)**

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 77,799	\$ 13,733
2024	79,917	11,615
2025	81,615	9,442
2026	82,389	7,242
2027	84,641	4,990
2028-2029	146,242	3,143
Total	<u>\$ 552,603</u>	<u>\$ 50,165</u>

**Lessor**

The City, acting as lessor, entered into a long-term, noncancelable lease agreement on January 1, 2022, with National Mentor Healthcare, LLC, for the leasing of a 2,000 square foot premise. The lease will expire on February 28, 2027.

The City, acting as lessor, entered into a long-term, noncancelable lease agreement on June 3, 2019, with Cubik Promotions, Inc., for the leasing of a 1,700 square foot premise. The lease will expire on June 3, 2024.

The City, acting as lessor, entered into a long-term, noncancelable lease agreement on January 1, 2016, with North Memorial Health Care, for the leasing of a hangar facility. The lease will expire on December 31, 2026.

The City, acting as lessor, entered into a long-term, noncancelable lease agreement on November 8, 2020, with Dale and Jason Mathiowetz, a partnership, for the leasing of certain parcels of real property. The lease will expire after the 2023 growing season.

During the year ended December 31, 2022, the City recognized \$87,906 and \$6,977 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 86,867	\$ 5,123
2024	57,673	3,327
2025	53,967	2,033
2026	55,299	701
2027	3,330	3
Total	<u>\$ 257,136</u>	<u>\$ 11,187</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

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

**1. General Employees Retirement Plan**

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

**2. Public Employees Police and Fire 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.

**B. Benefits Provided**

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

**1. General Employees Plan Benefits**

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**B. Benefits Provided (Continued)**

**1. General Employees Plan Benefits (Continued)**

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

**2. Police and Fire Plan Benefits**

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

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

**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 2022 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, 2022, were \$279,257. The contributions were equal to the required contributions as set by state statute.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**C. Contributions (Continued)**

**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 2022 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, 2022, were \$175,026. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employee Fund Pension Costs**

At December 31, 2022, the City reported a liability of \$3,849,135 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$113,015.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0486% at the end of the measurement period and .0486% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 3,849,135
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	113,015
Total	\$ 3,962,150

For the year ended December 31, 2022, the City recognized pension expense of \$435,807 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$16,887 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

**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)**

At December 31, 2022, 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 Economic Experience	\$ 32,151	\$ 41,118
Changes in Actuarial Assumptions	871,129	15,655
Net Difference Between Projected and Actual Investment Earnings	66,765	-
Changes in Proportion	33,452	27,075
City Contributions Subsequent to the Measurement Date	149,576	-
Total	<u>\$ 1,153,073</u>	<u>\$ 83,848</u>

The \$149,576 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>
2023	\$ 326,071
2024	368,146
2025	(122,663)
2026	348,095

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

At December 31, 2022, the City reported a liability of \$3,394,252 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0780% at the end of the measurement period and 0.0742% percent for the beginning of the period.

**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)**

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

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$148,280.

City's Proportionate Share of the Net Pension Liability	\$ 3,394,252
State of Minnesota's Proportionate Share of the	
Net Pension Liability with the City	<u>148,280</u>
Total	<u><u>\$ 3,542,532</u></u>

The state of Minnesota is included as a nonemployer 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, 2022, the City recognized pension expense of \$253,913 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$28,760 as grant revenue and pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$7,020 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

**D. Pension Costs (Continued)**

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

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 207,315	\$ -
Changes in Actuarial Assumptions	1,998,040	20,405
Net Difference Between Projected and Actual Earnings		
Investment Earnings	45,494	-
Changes in Proportion	114,591	57,159
City Contributions Subsequent to the Measurement Date	99,293	-
Total	<u>\$ 2,464,733</u>	<u>\$ 77,564</u>

The \$99,293 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	City Pension Expense Amount
2023	\$ 439,587
2024	455,589
2025	387,540
2026	713,960
2027	291,200

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**D. Pension Costs (Continued)**

**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.

	General Employees Fund	Police and Fire Fund	Fire Relief	Total
Net Pension Liability	\$ 3,849,135	\$ 3,394,252	\$ -	\$ 7,243,387
Net Pension Asset	-	-	270,272	270,272
Deferred Outflows of Resources	1,153,073	2,464,733	16,815	3,634,621
Deferred Inflows of Resources	83,848	77,564	97,512	258,924
Pension Expense (Revenue)	452,694	282,673	12,506	747,873

**E. Total Pension Expense**

The total pension expense (revenue) for all plans recognized by the City for the year ended December 31, 2022, was \$747,873, which includes \$12,506 for the volunteer firefighters relief association (additional information in Note 13).

**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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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>	

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**G. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. 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 27 years of service. 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.

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 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 2022:

**General Employee Fund**

Changes in actuarial assumptions:

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

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

**Police and Fire Plan**

Changes in actuarial assumptions:

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

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

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

**H. Discount Rate**

The discount rate used for the General Employees Plan to measure the total pension liability in 2022 was 6.50%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
City's Proportionate Share of the General Employee Net Pension Liability	\$ 6,079,912	\$ 3,849,135	\$ 2,019,556
	1% Decrease (4.4%)	Current Discount Rate (5.4%)	1% Increase (6.4%)
City's Proportionate Share of the Police and Fire Net Pension Liability	\$ 5,136,765	\$ 3,394,252	\$ 1,985,534

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**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).

**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, 2022. 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 2022, the City contributed \$23,012 to the plan.

**C. Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of January 1, 2022, 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	6.25%, decreasing to 5.0% over 6 years, then to 4.0% over next 48 years



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

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

The actuarial assumptions used in the January 1, 2021, valuation are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

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, 2022	\$	499,955
Changes for the Year:		
Service Cost		54,008
Interest		10,927
Benefit Payments		<u>(15,464)</u>
Net Change in Total OPEB Liability		<u>49,471</u>
Balance as of December 31, 2022	\$	<u>549,426</u>

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 590,864	\$ 549,426	\$ 509,954

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 one percentage point lower or one percentage point higher 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	\$ 479,758	\$ 549,426	\$ 632,944

For the year ended December 31, 2022, the City recognized OPEB expense of \$28,221. The OPEB liability is typically liquidated by the individual activity in which the employees costs are associated.

At December 31, 2022, 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	\$ -	\$ 167,313
Changes in Actuarial Assumptions	16,637	8,740
City Contributions Subsequent to the Measurement Date	23,012	-
Total	\$ 39,649	\$ 176,053

\$23,012 reported as deferred outflows of resources related to OPEB resulting from City payment of benefits subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

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>
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, 2022**

**NOTE 8 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Balances**

The City has deficit fund balances at December 31, 2022, in the following funds:

	Fund Balance (Deficit)
Debt Service - Community Center Bonds	\$ (4,114)
TIF #10-1 Runnings Redevelopment	(671,808)

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:

	Appropriations	Expenditures	Excess
General Fund	\$ 6,822,873	\$ 7,108,595	\$ 285,722
Fire Replacement Equipment	98,343	1,771,655	1,673,312

The over expenditures were approved by council and funded by existing fund balance or by a finance purchase agreement.

**NOTE 9 INTERFUND**

**Due To/Due From**

Individual fund receivable and payable balances at December 31, 2022, are as follows:

	Receivable	Payable
General Fund	\$ 5,073	\$ 19,220
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	1,164
Airport	-	1,868
Debt Service Fund:		
Community Center Bonds	-	4,352
Enterprise Funds:		
Sewer Utility	485	8,209
Water Utility	876	4,800
Electric Utility	36,076	250
Municipal Liquor Store	-	1,650
Storm Sewer Utility	369	-
Internal Service Fund:		
Central Garage	-	1,366
Total	\$ 42,879	\$ 42,879

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 9 INTERFUND (CONTINUED)**

**Advances**

Advances at December 31, 2022, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 671,808	\$ -
TIF #10-1 Runnings Redevelopment Fund	-	671,808
Total	<u>\$ 671,808</u>	<u>\$ 671,808</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 through year ended 2041.

**Transfers**

Individual fund transfers for fiscal year 2022 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 582,989	\$ (643,050)
Capital Projects Fund	3,250,086	(83,394)
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	(6,180)
Airport	20,000	(58,654)
Port Authority	-	(40,519)
TIF #9-1	-	(788)
Debt Service Funds:		
Ponderosa Business Park Bonds	40,519	-
Hospital Building	-	(1,148,805)
Capital Projects Funds:		
Airport Projects Fund	134,048	-
Enterprise Funds:		
Sewer Utility	-	(1,012,034)
Water Utility	-	(98,291)
Electric Utility	-	(881,011)
Municipal Liquor Store	-	(122,165)
Storm Sewer Utility	-	(4,434)
Internal Service Funds:		
Central Garage	71,683	-
Total	<u>\$ 4,099,325</u>	<u>\$ (4,099,325)</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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2022, the City made purchases of services and supplies from one related party business owned by a Council member totaling \$8,479.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

Construction Commitments – As of December 31, 2022, the City had active construction projects related to a variety of projects including various reconstructions of streets wastewater facility and land development. Total remaining commitments under these contracts were as follows at December 31, 2022:

Port Authority Fund	\$ 38,863
Airport Fund	134,200
Capital Projects Fund	4,476,977
Water Fund	318,726
Sewer Fund	1,389,096
Storm Sewer Fund	925,839
Electric Fund	585,009
Total Construction Commitments	\$ 7,868,710

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, 2022.

Purchased Power - 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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 \$1,309,497 for the year ended December 31, 2022.

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

Beginning of the Year Liability, January 1, 2022	\$ 10,070
Incurred Claims	1,306,496
Claims Paid	<u>(1,300,948)</u>
End of the Year Liability, December 31, 2022	<u>\$ 15,618</u>
Beginning of the Year Liability, January 1, 2021	\$ 6,923
Incurred Claims	1,195,288
Claims Paid	<u>(1,192,141)</u>
End of the Year Liability, December 31, 2021	<u>\$ 10,070</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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, membership includes 29 active participants and 5 retirees 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 20 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.

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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**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	
=	<u>Total Contribution Required</u>	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$50,639 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2022. 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, 2022, was \$-0-.

**D. Pension Costs**

At December 31, 2022, the City reported an asset of \$270,272 for the Association's net pension asset. The net pension asset was measured as of December 31, 2021, 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 \$12,506 for the year ended December 31, 2022. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 28,281
Changes in Actuarial Assumptions	16,815	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	69,231
Total	\$ 16,815	\$ 97,512



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**D. Pension Costs (Continued)**

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>
2023	\$ (18,279)
2024	(38,424)
2025	(13,953)
2026	(4,510)
2027	(2,383)
Thereafter	(3,148)

**E. Actuarial Assumptions**

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
<b>Actuarial Assumptions:</b>	
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.

There have been no assumptions changes since the prior valuation.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**E. Actuarial Assumptions (Continued)**

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at January 1, 2022</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	<u>100.0 %</u>	<u>5.00 %</u>

**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.

**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:

	<u>1 Percent Decrease</u>	<u>Discount Rate</u>	<u>1 Percent Increase</u>
Net Pension Asset	\$ (239,569)	\$ (270,272)	\$ (300,052)
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).

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**H. Plan's Fiduciary Net Position (Continued)**

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

	<u>December 31, 2021 Measurement Date</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 47,222
Interest	49,918
Plan Changes	49,570
<b>Net Change in Total Pension Liability</b>	<u>146,710</u>
<b>Total Pension Liability - Beginning of Year</b>	951,135
<b>Total Pension Liability - End of Year (a)</b>	<u>1,097,845</u>
<b>Plan Fiduciary Net Position</b>	
Nonemployer Contributions	49,348
Net Investment Income	63,253
Gain or Loss	15,133
<b>Net Change in Fiduciary Net Position</b>	127,734
<b>Fiduciary Net Position - Beginning of Year</b>	1,240,383
<b>Fiduciary Net Position - End of Year (b)</b>	<u>1,368,117</u>
<b>Association's Net Pension Asset - End of Year (a) - (b)</b>	<u><u>\$ (270,272)</u></u>

**NOTE 14 CONDUIT DEBT OBLIGATIONS**

The City has issued a housing revenue note 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. In addition, no commitments beyond the payments from the enterprise and maintenance of the tax-exempt status of the conduit debt obligations were extended by the City for this note. The general description of the transaction and the outstanding balance at December 31, 2022, is as follows:

Enterprise	Purpose	<u>Balance at December 31, 2022</u>
Country Village	Construction of a Facility	<u>\$ 609,793</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 15 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, 2022, financial statements in relation to these matters.

**NOTE 16 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, 2022, the City paid excess tax increment in the amount of \$74,519. 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, 2022. 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 \$45,573 for the year ending December 31, 2022.

- 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 \$5,391.
- 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, 2022.
- The City's share of the real property taxes generated from a childcare facility project for a term of 15 years. The abatement was created during the year ended 2022, and no taxes have been abated as of December 31, 2022. The first abatement levy is anticipated to be made for taxes payable 2024.

As of December 31, 2022, 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.

**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 January 1, 2022	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
<b>Total OPEB Liability</b>					
Service Cost	\$ 54,008	\$ 52,435	\$ 38,477	\$ 37,356	\$ 45,642
Interest	10,927	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	(15,464)	(25,338)	(23,697)	(30,801)	(25,251)
Net Change in Total OPEB Liability	49,471	(80,753)	36,477	(113,003)	41,793
Total OPEB Liability - Beginning	499,955	580,708	544,231	657,234	615,441
Total OPEB Liability - Ending	<u>\$ 549,426</u>	<u>\$ 499,955</u>	<u>\$ 580,708</u>	<u>\$ 544,231</u>	<u>\$ 657,234</u>
 Covered Employee Payroll	 \$ 4,323,320	 \$ 4,197,398	 \$ 4,034,499	 \$ 3,916,989	 \$ 4,180,713
 City's OPEB Liability as a Percentage of Covered Employee Payroll	 13%	 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, 2022</u>	Measurement Date <u>June 30, 2021</u>	Measurement Date <u>June 30, 2020</u>
<b>City - General Employee Plan</b>			
City's Proportion of the Net Pension Liability	0.0486%	0.0486%	0.0475%
City's Proportionate Share of the Net Pension Liability	\$ 3,849,135	\$ 2,075,438	\$ 2,847,842
State's Proportionate Share of the Net Pension Liability Associated with the City	113,015	63,400	87,701
City's Total Net Pension Liability - General Employee Plan	<u>3,962,150</u>	<u>2,138,838</u>	<u>2,935,543</u>
City's Covered Payroll	3,646,239	3,503,864	3,385,893
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	105.56%	59.23%	84.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.06%
<b>City - Police and Fire Plan</b>			
City's Proportion of the Net Pension Liability	0.0780%	0.0742%	0.0722%
City's Proportionate Share of the Net Pension Liability	\$ 3,394,252	\$ 572,745	\$ 951,673
State's Proportionate Share of the Net Pension Liability Associated with the City	148,280	25,737	22,419
City's Total Net Pension Liability - General Employee Plan	<u>3,542,532</u>	<u>598,482</u>	<u>974,092</u>
City's Covered Payroll	947,114	876,895	815,918
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	358.38%	65.32%	116.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.50%	93.66%	87.19%

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, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.0492%	0.0531%	0.0536%	0.0536%	0.0534%
\$ 2,720,158	\$ 2,945,770	\$ 3,421,789	\$ 4,352,054	\$ 2,767,466
84,496	96,729	43,005	56,839	-
<u>2,804,654</u>	<u>3,042,499</u>	<u>3,464,794</u>	<u>4,408,893</u>	<u>2,767,466</u>
3,480,782	3,576,608	3,455,396	3,329,013	3,140,523
78.15%	82.36%	99.03%	130.73%	88.12%
80.20%	79.50%	75.90%	68.90%	78.20%
0.0770%	0.0687%	0.0740%	0.0780%	0.0770%
\$ 819,742	\$ 732,271	\$ 999,088	\$ 3,130,276	\$ 874,900
-	-	-	-	-
<u>819,742</u>	<u>732,271</u>	<u>999,088</u>	<u>3,130,276</u>	<u>874,900</u>
812,177	724,646	761,498	748,809	702,076
100.93%	101.05%	131.20%	418.03%	124.62%
89.30%	88.80%	85.43%	63.90%	86.60%



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

	2022	2021	2020
<b>City - General Employee Plan</b>			
Statutorily Required Contribution	\$ 279,257	\$ 268,390	\$ 265,431
Contributions in Relation to the Statutorily Required Contribution	<u>(279,257)</u>	<u>(268,390)</u>	<u>(265,431)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,723,427	\$ 3,578,533	\$ 3,539,080
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
<b>Police and Fire Plan</b>			
Statutorily Required Contribution	\$ 175,026	\$ 163,727	\$ 152,265
Contributions in Relation to the Statutorily Required Contribution	<u>(175,026)</u>	<u>(163,727)</u>	<u>(152,265)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 988,847	\$ 925,009	\$ 860,254
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%
<b>Fire Relief Association</b>			
Statutorily Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>
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 YEARS**

2019	2018	2017	2016	2015	2014
\$ 256,110	\$ 265,811	\$ 265,404	\$ 254,391	\$ 242,627	\$ 224,719
(256,110)	(265,811)	(265,404)	(254,391)	(242,627)	(224,719)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,414,800	\$ 3,544,147	\$ 3,538,720	\$ 3,391,880	\$ 3,215,297	\$ 3,099,577
7.50%	7.50%	7.50%	7.50%	7.55%	7.25%
\$ 140,334	\$ 122,905	\$ 122,382	\$ 122,796	\$ 117,065	\$ 106,258
(140,334)	(122,905)	(122,382)	(122,796)	(117,065)	(106,258)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 866,259	\$ 758,673	\$ 755,444	\$ 758,000	\$ 716,591	\$ 694,499
16.20%	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>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	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, 2021</u> <u>Measurement Date</u>	<u>December 31, 2020</u> <u>Measurement Date</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 47,222	\$ 43,185
Interest	49,918	53,768
Changes of Assumptions	-	16,369
Changes of Benefit Terms	49,570	-
Benefit Payments, Including Member Contribution Refunds	-	(61,659)
Gain or Loss	-	(23,264)
<b>Net Change in Total Pension Liability</b>	<u>146,710</u>	<u>28,399</u>
<b>Total Pension Liability - Beginning of Year</b>	<u>951,135</u>	<u>922,736</u>
<b>Total Pension Liability - End of Year (a)</b>	<u>1,097,845</u>	<u>951,135</u>
<b>Plan Fiduciary Net Position</b>		
Municipal Contributions	-	33,000
Nonemployer Contributions	49,348	48,968
Net Investment Income	63,253	64,325
Gain or Loss	15,133	47,212
Benefit Payments	-	(61,659)
<b>Net Change in Fiduciary Net Position</b>	<u>127,734</u>	<u>131,846</u>
<b>Fiduciary Net Position - Beginning of Year</b>	<u>1,240,383</u>	<u>1,108,537</u>
<b>Fiduciary Net Position - End of Year (b)</b>	<u>1,368,117</u>	<u>1,240,383</u>
<b>Association's Net Pension Asset - End of Year (a) - (b)</b>	<u>\$ (270,272)</u>	<u>\$ (289,248)</u>
<b>Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	124.62%	130.41%
<b>Covered Payroll</b>	N/A	N/A
<b>Net Pension 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**

December 31, 2019 Measurement Date	December 31, 2018 Measurement Date	December 31, 2017 Measurement Date	December 31, 2016 Measurement Date	December 31, 2015 Measurement Date	December 31, 2014 Measurement Date
\$ 42,132	\$ 41,904	\$ 39,825	\$ 38,783	\$ 39,490	\$ 36,260
51,920	47,341	42,204	42,899	43,103	47,121
-	-	-	-	-	-
-	38,476	14,361	10,210	11,786	-
(64,291)	-	(18,250)	(69,977)	(202,897)	-
-	(16,170)	-	(1,217)	-	-
<u>29,761</u>	<u>111,551</u>	<u>78,140</u>	<u>20,698</u>	<u>(108,518)</u>	<u>83,381</u>
<u>892,975</u>	<u>781,424</u>	<u>703,284</u>	<u>682,586</u>	<u>791,104</u>	<u>707,723</u>
<u>922,736</u>	<u>892,975</u>	<u>781,424</u>	<u>703,284</u>	<u>682,586</u>	<u>791,104</u>
-	-	-	-	2,081	23,580
47,109	45,894	46,851	47,601	50,827	46,418
54,089	(44,878)	66,497	58,342	(6,135)	59,490
122,354	-	-	-	-	-
(64,291)	-	(18,250)	(69,977)	(202,897)	-
<u>159,261</u>	<u>1,016</u>	<u>95,098</u>	<u>35,966</u>	<u>(156,124)</u>	<u>129,488</u>
<u>949,276</u>	<u>948,260</u>	<u>853,162</u>	<u>817,196</u>	<u>973,320</u>	<u>843,832</u>
<u>1,108,537</u>	<u>949,276</u>	<u>948,260</u>	<u>853,162</u>	<u>817,196</u>	<u>973,320</u>
<u>\$ (185,801)</u>	<u>\$ (56,301)</u>	<u>\$ (166,836)</u>	<u>\$ (149,878)</u>	<u>\$ (134,610)</u>	<u>\$ (182,216)</u>
120.14%	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	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, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Taxes:				
Current and Delinquent Property Tax	\$ 2,708,013	\$ 2,708,013	\$ 2,707,349	\$ (664)
Franchise Tax	164,200	164,200	246,873	82,673
Hotel/Motel Tax	35,000	35,000	52,952	17,952
<b>Total Taxes</b>	<b>2,907,213</b>	<b>2,907,213</b>	<b>3,007,174</b>	<b>99,961</b>
Intergovernmental:				
Local Government Aid	1,724,175	1,724,175	1,724,474	299
General Government	-	-	1,113	1,113
Public Safety	250,000	250,000	307,098	57,098
Culture and Recreation	118,600	118,600	119,257	657
Highway	84,119	84,119	104,555	20,436
<b>Total Intergovernmental</b>	<b>2,176,894</b>	<b>2,176,894</b>	<b>2,256,497</b>	<b>79,603</b>
Charges for Services:				
Fire Protection	62,292	62,292	57,929	(4,363)
Swimming Pool Fees and Concessions	161,000	161,000	168,044	7,044
Park Fees	57,150	57,150	77,875	20,725
Administration Fees	750	750	330	(420)
Miscellaneous General Government Charges for Service	19,140	19,140	19,474	334
Recreation Fees	80,500	80,500	102,045	21,545
Community Center	469,850	469,850	437,332	(32,518)
<b>Total Charges for Services</b>	<b>850,682</b>	<b>850,682</b>	<b>863,029</b>	<b>12,347</b>
Fees, Licenses, and Permits:				
Business	30,600	30,600	28,710	(1,890)
Nonbusiness	76,350	76,350	163,442	87,092
<b>Total Fees, Licenses, and Permits</b>	<b>106,950</b>	<b>106,950</b>	<b>192,152</b>	<b>85,202</b>
Fines and Forfeits	39,000	39,000	30,269	(8,731)
Investment Earnings (Loss)	101,100	101,100	(402,191)	(503,291)
Miscellaneous	164,123	164,123	151,538	(12,585)
Contributions	3,500	3,500	18,519	15,019
<b>Total Revenues</b>	<b>6,349,462</b>	<b>6,349,462</b>	<b>6,116,987</b>	<b>(232,475)</b>

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, 2022**

	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	\$ 32,082	\$ (1)
Materials and Supplies	300	300	99	(201)
Other Services and Charges	1,425	1,425	838	(587)
Total Mayor and Council	<u>33,808</u>	<u>33,808</u>	<u>33,019</u>	<u>(789)</u>
City Administration:				
Current:				
Personal Services	174,776	174,776	174,972	196
Materials and Supplies	4,000	4,000	6,087	2,087
Other Services and Charges	58,616	58,616	54,998	(3,618)
Total City Administration	<u>237,392</u>	<u>237,392</u>	<u>236,057</u>	<u>(1,335)</u>
Elections:				
Current:				
Personal Services	12,525	12,525	3,354	(9,171)
Materials and Supplies	900	900	771	(129)
Other Services and Charges	244	244	37	(207)
Total Elections	<u>13,669</u>	<u>13,669</u>	<u>4,162</u>	<u>(9,507)</u>
Finance Department:				
Current:				
Personal Services	317,403	317,403	318,334	931
Materials and Supplies	8,000	8,000	8,600	600
Other Services and Charges	114,940	114,940	111,695	(3,245)
Total Finance Department	<u>440,343</u>	<u>440,343</u>	<u>438,629</u>	<u>(1,714)</u>
Management Information Systems:				
Current:				
Materials and Supplies	14,600	14,600	7,580	(7,020)
Other Services and Charges	283,296	283,296	256,366	(26,930)
Total Management Information Systems	<u>297,896</u>	<u>297,896</u>	<u>263,946</u>	<u>(33,950)</u>
Legal:				
Current:				
Personal Services	111,489	111,489	110,999	(490)
Materials and Supplies	500	500	768	268
Other Services and Charges	10,700	10,700	5,588	(5,112)
Total Legal	<u>122,689</u>	<u>122,689</u>	<u>117,355</u>	<u>(5,334)</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, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>EXPENDITURES (CONTINUED)</b>				
General Government (Continued):				
Buildings and Grounds:				
Current:				
Personal Services	\$ 16,671	\$ 16,671	\$ 6,669	\$ (10,002)
Materials and Supplies	1,500	1,500	-	(1,500)
Other Services and Charges	20	20	20	-
Total Buildings and Grounds	18,191	18,191	6,689	(11,502)
Total General Government	1,163,988	1,163,988	1,099,857	(64,131)
Public Safety:				
Police:				
Current:				
Personal Services	1,541,010	1,541,010	1,741,728	200,718
Materials and Supplies	93,950	93,950	104,425	10,475
Other Services and Charges	259,415	259,415	192,871	(66,544)
Capital Outlay	129,000	129,000	138,835	9,835
Total Police	2,023,375	2,023,375	2,177,859	154,484
Fire Department:				
Current:				
Personal Services	63,545	63,545	66,816	3,271
Materials and Supplies	34,500	34,500	39,825	5,325
Other Services and Charges	135,300	135,300	121,199	(14,101)
Total Fire Department	233,345	233,345	227,840	(5,505)
Protective Inspections:				
Current:				
Personal Services	95,619	95,619	113,886	18,267
Materials and Supplies	1,300	1,300	2,424	1,124
Other Services and Charges	10,328	10,328	13,486	3,158
Total Protective Inspections	107,247	107,247	129,796	22,549
Total Public Safety	2,363,967	2,363,967	2,535,495	171,528

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, 2022**

	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	\$ 33,544	\$ 33,544	\$ 33,036	\$ (508)
Materials and Supplies	1,500	1,500	506	(994)
Other Services and Charges	4,708	4,708	5,552	844
Total Engineering	39,752	39,752	39,094	(658)
Streets and Alleys:				
Current:				
Personal Services	357,602	357,602	348,217	(9,385)
Materials and Supplies	168,600	168,600	238,915	70,315
Other Services and Charges	593,875	593,875	631,314	37,439
Total Streets and Alleys	1,120,077	1,120,077	1,218,446	98,369
Total Highways and Streets	1,159,829	1,159,829	1,257,540	97,711
Culture and Recreation:				
Parks and Recreation:				
Current:				
Personal Services	971,904	971,904	922,715	(49,189)
Materials and Supplies	93,250	93,250	106,769	13,519
Other Services and Charges	563,319	563,319	579,344	16,025
Capital Outlay	180,500	180,500	244,002	63,502
Total Parks and Recreation	1,808,973	1,808,973	1,852,830	43,857
Pool:				
Current:				
Personal Services	140,704	140,704	121,667	(19,037)
Materials and Supplies	39,800	39,800	38,639	(1,161)
Other Services and Charges	67,475	67,475	48,441	(19,034)
Total Pool	247,979	247,979	208,747	(39,232)
Total Culture and Recreation	2,056,952	2,056,952	2,061,577	4,625
Economic Development:				
Current:				
Other Services and Charges	78,137	78,137	62,593	(15,544)

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, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>EXPENDITURES (CONTINUED)</b>				
Debt Service:				
Current:				
Principal	\$ -	\$ -	\$ 75,737	\$ 75,737
Interest	-	-	15,796	15,796
Total Debt Service	-	-	91,533	91,533
Total Expenditures	6,822,873	6,822,873	7,108,595	285,722
<b>REVENUES (UNDER) EXPENDITURES</b>	(473,411)	(473,411)	(991,608)	(518,197)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	\$ -	\$ -	\$ 120,000	\$ 120,000
Transfers In	582,201	582,201	582,989	788
Transfers Out	(49,769)	(49,769)	(643,050)	(593,281)
Total Other Financing Sources (Uses)	532,432	532,432	59,939	(472,493)
<b>CHANGE IN FUND BALANCE</b>	\$ 59,021	\$ 59,021	(931,669)	\$ (990,690)
Fund Balance - Beginning of Year			6,526,635	
<b>FUND BALANCE - END OF YEAR</b>			\$ 5,594,966	

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE — BUDGET AND ACTUAL — FIRE EQUIPMENT REPLACEMENT FUND  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Local Tax Levies	\$ 136,217	\$ 136,217	\$ 135,281	\$ (936)
Intergovernmental	149,140	149,140	73,651	(75,489)
Investment Earnings (Loss)	500	500	(20,437)	(20,937)
Contributions	-	-	2,680	2,680
Total Revenues	<u>285,857</u>	<u>285,857</u>	<u>191,175</u>	<u>(94,682)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	7,800	7,800	279	(7,521)
Capital Outlay	75,000	75,000	1,146,527	1,071,527
Debt Service:				
Principal	-	-	600,347	600,347
Interest	15,043	15,043	24,191	9,148
Fiscal Agent Fees	500	500	311	(189)
Total Expenditures	<u>98,343</u>	<u>98,343</u>	<u>1,771,655</u>	<u>1,673,312</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	187,514	187,514	(1,580,480)	(1,767,994)
<b>OTHER FINANCING SOURCES</b>				
Sale of Assets	-	-	23,756	23,756
<b>CHANGE IN FUND BALANCE</b>	<u>\$ 187,514</u>	<u>\$ 187,514</u>	(1,556,724)	<u>\$ (1,744,238)</u>
Fund Balance - Beginning of Year			<u>1,920,765</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 364,041</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2022**

**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	\$ 6,822,873	\$ 7,108,595	\$ 285,722
Fire Replacement Equipment	98,343	1,771,655	1,673,312

**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**

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

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

**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.

**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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

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

**2020 Changes (Continued)**

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 morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

- The 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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

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

**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.

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, 2022**

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

**B. Police and Fire Fund**

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% 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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

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

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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.



**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**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)

- 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%.
- 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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

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

**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%.

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

**2022 Changes**

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

**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.

**CITY OF REDWOOD FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

**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, 2022**

	Special Revenue			
	Library	Airport	Port Authority	Revolving Loan
<b>ASSETS</b>				
Cash and Investments	\$ 326,392	\$ 1,920	\$ 169,173	\$ 577,131
Accounts Receivable, Net	3,834	2,010	-	-
Property Taxes Receivable	9,242	-	1,410	-
Accrued Interest Receivable	896	-	-	2,802
Due from Other Governments	-	41,146	-	-
Prepaid Items	3,276	68,164	957	-
Property Held for Resale	-	-	2,519,667	-
Notes Receivable	-	-	-	-
Lease Receivable	-	238,439	-	-
	<u>\$ 343,640</u>	<u>\$ 351,679</u>	<u>\$ 2,691,207</u>	<u>\$ 579,933</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,134	\$ 2,322	\$ 64	\$ -
Contracts Payable	-	-	-	-
Accrued Salaries and Fringes	6,024	3,789	1,059	-
Advances from Other Funds	-	-	-	-
Due to Other Funds	1,164	1,868	-	-
Due to Other Governments	24	-	-	-
Deposits Payable	-	-	11,000	-
Unearned Revenue	-	10,184	-	-
Total Liabilities	<u>12,346</u>	<u>18,163</u>	<u>12,123</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Lease Related	-	225,451	-	-
Unavailable Revenue - Taxes	7,492	-	1,133	-
Unavailable Revenue - Loans	-	-	-	-
Unavailable Revenue - Grants and Other	3,834	41,146	-	-
Total Deferred Inflows of Resources	<u>11,326</u>	<u>266,597</u>	<u>1,133</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable:				
Prepaid Items	3,276	68,164	957	-
Property Held for Resale	-	-	2,519,667	-
Assigned to:				
Airport Projects	-	-	-	-
Restricted For:				
Port Authority	-	-	157,327	-
Library	316,692	-	-	-
Revolving Loans	-	-	-	579,933
Unassigned	-	(1,245)	-	-
Total Fund Balances (Deficit)	<u>319,968</u>	<u>66,919</u>	<u>2,677,951</u>	<u>579,933</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 343,640</u>	<u>\$ 351,679</u>	<u>\$ 2,691,207</u>	<u>\$ 579,933</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 DECEMBER 31, 2022**

Special Revenue (Continued)				
Downtown Loan Program	TIF #9-1 Daktronics Expansion	TIF #10-1 Runnings Redevelopment	Hospital Building	Special Revenue Subtotal
\$ 38,895	\$ -	\$ -	\$ -	\$ 1,113,511
-	-	-	-	5,844
-	-	-	-	10,652
189	-	-	-	3,887
59,896	-	-	-	101,042
-	-	-	-	72,397
-	-	-	-	2,519,667
126,328	-	-	-	126,328
-	-	-	-	238,439
<u>\$ 225,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,191,767</u>
\$ 59,896	\$ -	\$ -	-	\$ 67,416
-	-	-	-	-
-	-	-	-	10,872
-	-	671,808	-	671,808
-	-	-	-	3,032
-	-	-	-	24
-	-	-	-	11,000
-	-	-	-	10,184
<u>59,896</u>	<u>-</u>	<u>671,808</u>	<u>-</u>	<u>774,336</u>
-	-	-	-	225,451
-	-	-	-	8,625
126,328	-	-	-	126,328
-	-	-	-	44,980
<u>126,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,384</u>
-	-	-	-	72,397
-	-	-	-	2,519,667
-	-	-	-	-
-	-	-	-	157,327
-	-	-	-	316,692
39,084	-	-	-	619,017
-	-	(671,808)	-	(673,053)
<u>39,084</u>	<u>-</u>	<u>(671,808)</u>	<u>-</u>	<u>3,012,047</u>
<u>\$ 225,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,191,767</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 DECEMBER 31, 2022**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Subtotal
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-
Property Taxes Receivable	1,180	-	1,180
Accrued Interest Receivable	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	11	-	11
Property Held for Resale	-	-	-
Notes Receivable	-	-	-
Lease Receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 1,191</u>
<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	4,352	-	4,352
Due to Other Governments	-	-	-
Deposits Payable	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	<u>4,352</u>	<u>-</u>	<u>4,352</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Lease Related	-	-	-
Unavailable Revenue - Taxes	953	-	953
Unavailable Revenue - Loans	-	-	-
Unavailable Revenue - Grants	-	-	-
Total Deferred Inflows of Resources	<u>953</u>	<u>-</u>	<u>953</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Prepaid Items	11	-	11
Property Held for Resale	-	-	-
Assigned to:			
Airport Projects	-	-	-
Restricted For:			
Port Authority	-	-	-
Library	-	-	-
Revolving Loans	-	-	-
Unassigned	<u>(4,125)</u>	<u>-</u>	<u>(4,125)</u>
Total Fund Balances (Deficit)	<u>(4,114)</u>	<u>-</u>	<u>(4,114)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 1,191</u>



**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 DECEMBER 31, 2022**

Capital Projects

<u>Airport Project</u>	<u>Total</u>
\$ 125,624	\$ 1,239,135
-	5,844
-	11,832
-	3,887
41,431	142,473
-	72,408
-	2,519,667
-	126,328
-	238,439
<hr/>	<hr/>
\$ 167,055	\$ 4,360,013

\$ -	\$ 67,416
4,550	4,550
-	10,872
-	671,808
-	7,384
-	24
-	11,000
-	10,184
<hr/>	<hr/>
4,550	783,238

-	225,451
-	9,578
-	126,328
41,431	86,411
<hr/>	<hr/>
41,431	447,768

-	72,408
-	2,519,667
121,074	121,074
-	157,327
-	316,692
-	619,017
\$ -	(677,178)
<hr/>	<hr/>
121,074	3,129,007

<hr/> <hr/>	<hr/> <hr/>
\$ 167,055	\$ 4,360,013

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue		
	Library	Airport	Port Authority
<b>REVENUES</b>			
Local Tax Levies	\$ 359,866	\$ -	\$ 91,464
Intergovernmental	45,090	31,766	87
Charges for Services	4,848	366,887	23,656
Fines and Forfeits	3,377	-	-
Investment Earnings (Loss)	(24,643)	4,319	(15,495)
Contributions	3,367	-	-
Miscellaneous	4,468	5,400	5,566
Total Revenues	<u>396,373</u>	<u>408,372</u>	<u>105,278</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Culture and Recreation	448,450	-	-
Economic Development	-	-	89,708
Airport	-	383,036	-
Capital Outlay	-	-	710,777
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Fiscal Agent Fees	-	-	-
Total Expenditures	<u>448,450</u>	<u>383,036</u>	<u>800,485</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(52,077)	25,336	(695,207)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	20,000	-
Transfers Out	(6,180)	(58,654)	(40,519)
Total Other Financing Sources (Uses)	<u>(6,180)</u>	<u>(38,654)</u>	<u>(40,519)</u>
<b>CHANGE IN FUND BALANCES</b>	(58,257)	(13,318)	(735,726)
Fund Balances (Deficit) - Beginning of Year	<u>378,225</u>	<u>80,237</u>	<u>3,413,677</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 319,968</u>	<u>\$ 66,919</u>	<u>\$ 2,677,951</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2022**

Special Revenue (Continued)					
Revolving Loan	Downtown Loan Program	TIF #9-1 Daktronics Expansion	TIF #10-1 Runnings Redevelopment	Hospital Building	Special Revenue Subtotal
\$ -	\$ -	\$ -	\$ 74,519	\$ -	\$ 525,849
-	186,492	-	-	-	263,435
-	-	-	-	-	395,391
-	-	-	-	-	3,377
(49,514)	(2,421)	-	-	-	(87,754)
-	-	-	-	-	3,367
-	6,571	-	-	8	22,013
(49,514)	190,642	-	74,519	8	1,125,678
-	-	-	-	44	44
-	-	-	-	-	448,450
647	186,527	-	340	-	277,222
-	-	-	-	-	383,036
-	-	-	-	-	710,777
-	-	-	-	-	-
-	-	-	21,342	-	21,342
-	-	-	-	-	-
647	186,527	-	21,682	44	1,840,871
(50,161)	4,115	-	52,837	(36)	(715,193)
-	-	-	-	-	20,000
-	-	(788)	-	(1,148,805)	(1,254,946)
-	-	(788)	-	(1,148,805)	(1,234,946)
(50,161)	4,115	(788)	52,837	(1,148,841)	(1,950,139)
630,094	34,969	788	(724,645)	1,148,841	4,962,186
<u>\$ 579,933</u>	<u>\$ 39,084</u>	<u>\$ -</u>	<u>\$ (671,808)</u>	<u>\$ -</u>	<u>\$ 3,012,047</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2022**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Subtotal
<b>REVENUES</b>			
Local Tax Levies	\$ 45,908	\$ -	\$ 45,908
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Investment Earnings (Loss)	(998)	-	(998)
Contributions	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>44,910</u>	<u>-</u>	<u>44,910</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	-
Airport	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	45,213	38,770	83,983
Interest	2,481	1,773	4,254
Fiscal Agent Fees	199	-	199
Total Expenditures	<u>47,893</u>	<u>40,543</u>	<u>88,436</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(2,983)	(40,543)	(43,526)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	40,519	40,519
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>40,519</u>	<u>40,519</u>
<b>CHANGE IN FUND BALANCES</b>	(2,983)	(24)	(3,007)
Fund Balances (Deficit) - Beginning of Year	<u>(1,131)</u>	<u>24</u>	<u>(1,107)</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ (4,114)</u>	<u>\$ -</u>	<u>\$ (4,114)</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2022**

Capital Projects

<u>Airport Project</u>	<u>Total</u>
\$ -	\$ 571,757
203,069	466,504
-	395,391
-	3,377
9	(88,743)
-	3,367
-	22,013
<u>203,078</u>	<u>1,373,666</u>
-	44
-	448,450
-	277,222
19,316	402,352
30,783	741,560
-	83,983
-	25,596
-	199
<u>50,099</u>	<u>1,979,406</u>
152,979	(605,740)
134,048	194,567
-	<u>(1,254,946)</u>
<u>134,048</u>	<u>(1,060,379)</u>
287,027	(1,666,119)
<u>(165,953)</u>	<u>4,795,126</u>
<u>\$ 121,074</u>	<u>\$ 3,129,007</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING STATEMENT OF NET POSITION — INTERNAL SERVICE FUNDS  
DECEMBER 31, 2022**

	Central Garage Fund	Self- Insurance Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 536,317	\$ 86,102	\$ 622,419
Accounts Receivable, Net	-	28,060	28,060
Accrued Interest Receivable	115	-	115
Due from Other Governmental Units	553	-	553
Prepaid Items	5,211	-	5,211
Total Current Assets	<u>542,196</u>	<u>114,162</u>	<u>656,358</u>
<b>CAPITAL ASSETS</b>			
Land	51,900	-	51,900
Buildings and Improvements	1,395,395	-	1,395,395
Machinery and Equipment	4,565,128	-	4,565,128
Total Capital Assets	<u>6,012,423</u>	<u>-</u>	<u>6,012,423</u>
Less: Accumulated Depreciation	<u>(2,617,640)</u>	<u>-</u>	<u>(2,617,640)</u>
Net Capital Assets	<u>3,394,783</u>	<u>-</u>	<u>3,394,783</u>
Total Assets	3,936,979	114,162	4,051,141
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	22,819	-	22,819
Other Postemployment Benefits Related	620	-	620
Total Deferred Outflows of Resources	<u>23,439</u>	<u>-</u>	<u>23,439</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	31,436	15,618	47,054
Due to Other Funds	1,366	-	1,366
Accrued Salaries and Fringes	1,866	-	1,866
Accrued Interest Payable	5,348	-	5,348
Current Portion of Compensated Absences	6,556	-	6,556
Current Portion of Other Postemployment Benefits Liability	360	-	360
Current Portion of Bonds Payable	51,000	-	51,000
Total Current Liabilities	<u>97,932</u>	<u>15,618</u>	<u>113,550</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated Absences	8,483	-	8,483
Other Postemployment Benefits Liability	5,763	-	5,763
Net Pension Liability	76,174	-	76,174
Bonds Payable - Long-Term	626,000	-	626,000
Total Noncurrent Liabilities	<u>716,420</u>	<u>-</u>	<u>716,420</u>
Total Liabilities	814,352	15,618	829,970
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	1,660	-	1,660
Other Postemployment Benefits Related	2,809	-	2,809
Total Deferred Inflows of Resources	<u>4,469</u>	<u>-</u>	<u>4,469</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,717,783	-	2,717,783
Unrestricted	423,814	98,544	522,358
Total Net Position	<u>\$ 3,141,597</u>	<u>\$ 98,544</u>	<u>\$ 3,240,141</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET POSITION — INTERNAL SERVICE FUNDS  
 YEAR ENDED DECEMBER 31, 2022**

	Central Garage Fund	Self- Insurance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 683,932	\$ 1,290,752	\$ 1,974,684
Miscellaneous	17,955	-	17,955
Total Operating Revenues	<u>701,887</u>	<u>1,290,752</u>	<u>1,992,639</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	101,295	-	101,295
Professional Services	54,818	-	54,818
Supplies	299,350	-	299,350
Depreciation	386,931	-	386,931
Benefits or Claims	-	1,309,497	1,309,497
Miscellaneous	2,485	-	2,485
Total Operating Expenses	<u>844,879</u>	<u>1,309,497</u>	<u>2,154,376</u>
<b>OPERATING LOSS</b>	(142,992)	(18,745)	(161,737)
<b>OTHER INCOME (EXPENSE)</b>			
Intergovernmental Revenues	154	-	154
Investment Loss	(27,797)	(510)	(28,307)
Interest Expense	(12,943)	-	(12,943)
Gain on Sale of Capital Assets	14,822	-	14,822
Total Other Income (Expense)	<u>(25,764)</u>	<u>(510)</u>	<u>(26,274)</u>
<b>LOSS BEFORE TRANSFERS</b>	(168,756)	(19,255)	(188,011)
Transfers In	<u>71,683</u>	<u>-</u>	<u>71,683</u>
<b>CHANGE IN NET POSITION</b>	(97,073)	(19,255)	(116,328)
Net Position - Beginning of Year	<u>3,238,670</u>	<u>117,799</u>	<u>3,356,469</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,141,597</u>	<u>\$ 98,544</u>	<u>\$ 3,240,141</u>

**CITY OF REDWOOD FALLS, MINNESOTA  
COMBINING STATEMENT OF CASH FLOWS — INTERNAL SERVICE FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Central Garage Fund	Self- Insurance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 702,120	\$ 1,339,786	\$ 2,041,906
Cash Paid to Suppliers	(359,919)	(1,303,949)	(1,663,868)
Cash Paid to Employees	(98,130)	-	(98,130)
Net Cash Flows Provided by Operating Activities	<u>244,071</u>	<u>35,837</u>	<u>279,908</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	71,886	-	71,886
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>			
Purchase of Capital Assets	(63,119)	-	(63,119)
Principal Paid on Bonds	(50,000)	-	(50,000)
Interest, Paying Agent Fees	(13,338)	-	(13,338)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(126,457)</u>	<u>-</u>	<u>(126,457)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	(27,199)	(503)	(27,702)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	162,301	35,334	197,635
Cash and Cash Equivalents - Beginning of Year	<u>374,016</u>	<u>50,768</u>	<u>424,784</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 536,317</u>	<u>\$ 86,102</u>	<u>\$ 622,419</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating (Loss)	\$ (142,992)	\$ (18,745)	\$ (161,737)
Adjustments to Reconcile Operating (Loss) to Net Cash Flows Provided by Operating Activities:			
Depreciation	386,931	-	386,931
Operating Grants and Miscellaneous Revenue	154	-	154
(Increase) Decrease in Assets and Deferred Outflows:			
Receivables	61	49,034	49,095
Due from Other Governments	172	-	172
Prepaid Items	1,002	-	1,002
Deferred Outflows - Pension	6,859	-	6,859
Deferred Outflows - OPEB	(75)	-	(75)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(5,758)	5,548	(210)
Due to Other Governments	(4)	-	(4)
Other Accrued Liabilities	2,238	-	2,238
Net Pension Liability	34,379	-	34,379
OPEB Liability	773	-	773
Deferred Inflows - Pension	(39,052)	-	(39,052)
Deferred Inflows - OPEB	(617)	-	(617)
Net Cash Flows Provided by Operating Activities	<u>\$ 244,071</u>	<u>\$ 35,837</u>	<u>\$ 279,908</u>





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Kari Klages  
Finance Director  
City of Redwood Falls  
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[kklages@ci.redwood-falls.mn.us](mailto:kklages@ci.redwood-falls.mn.us)

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## AGENDA MEMO

**Meeting Date:** June 20, 2023

**Agenda Item:** Request for Proposals for Banking Services

**Recommendation/Action Requested:** Staff recommends approval of the Request for Proposals for Banking Services

**Summary/Overview:** It is recommended that governments review their banking service contracts every five years and use a competitive process for the procurement of banking services. A competitive procurement process provides an opportunity to obtain market competitive rates and negotiate preferable terms and conditions and/or service enhancements. It also provides an opportunity to take advantage of technology enhancements, service changes, or evolution in the market.

The City currently receives banking services from Bremer Bank. Part of ongoing due diligence includes regular competition for the procurement of services. Therefore, staff is proposing to issue a Request for Proposals (RFP) for banking services. The RFP will be sent to all institutions that operate a branch within the City of Redwood Falls. If approved, RFP's will be distributed and due back from institutions by July 28<sup>th</sup>. Staff will review all proposals and present council with their recommendation at the August 15<sup>th</sup> council meeting.

**Attachments:** Request for Proposals – Banking Services



REQUEST FOR PROPOSALS – BANKING SERVICES

## Introduction

### A. Background

The City of Redwood Falls (City) is requesting proposals from qualified institutions to provide the highest quality depository and banking services at a competitive price. A proposer must be a Federally or State of MN chartered banking institution and must be able to comply with Minnesota Statutes Chapter 118A, as incorporated, relating to depositories of public funds.

The City has a current population of 5,102 and is a home rule charter city governed by a mayor and five council members; all of whom are elected to staggered, four-year terms. Annual revenues and expenditures for the City are approximately \$22 million. The City currently maintains the following accounts and services with one financial institution:

- Primary Checking Account
- City Savings Account

The City makes extensive use of banking services to concentrate, manage and disburse funds. The City intends to select one financial institution to provide those banking services. A description of the required services is included in "Section B."

### B. Purpose and Scope

The City of Redwood Falls is soliciting proposals for a primary banking relationship with an institution that operates a branch within the City of Redwood Falls, Minnesota. The objective is to identify the banking institution that can offer the most comprehensive services at the most competitive rates. The institution must be able to offer the full range of banking services required by this Request for Proposal (RFP).

The following is a listing of mandatory services the City requires of its financial institution:

- Checking account
- ACH debit/credit services
- Direct deposit for payroll
- Remote deposit/checking scanning capability
- Banking supplies
- Night depository services
- ACH exception/return reporting
- On-line image retrieval of checks
- On-line stop payments
- On-line wire transfers
- Positive Pay on checking account
- ACH fraud detection
- Digitized storage of paid checks and statements
- Monthly account statements – issued on a calendar month basis
- Appropriate deposit insurance according to FDIC/NCUA regulations for public entity
- Excellent customer service and response

## **C. Current Services**

The following section provides an overview of current services. Please refer to the City of Redwood Falls Statistics on the last page of this RFP for more detailed information on average volumes and balances.

### Checking Account

The City of Redwood Falls utilizes one primary checking account. The primary checking account receives regular deposits of cash, checks, wires, ACH, and credit card payment settlements from various sources including tax revenue, state and federal grants, utility service payment and cash received from other services. This account is also used for disbursements via check, wire, and ACH for vendor payments and payroll direct deposit.

### Savings Account

The City has one savings account with our current banking institution. The savings account is not really utilized and mainly only accrues monthly interest.

### ACH Credit Services

The City currently uses the primary bank to process ACH transactions.

### ACH Debit Services

The City of Redwood Falls processes direct ACH debit batches for payments to vendors enrolled in the direct deposit option.

### Remote Deposit/Check Scanning Capability/Data Equipment Compatibility

The City currently utilizes remote deposit using check scanning equipment.

### Direct Deposit for Payroll

All employees are required to have direct deposit. There are currently approximately 65 FT employees and 20 part-time employees paid through bi-weekly payrolls. The summer months include an approximately 30 additional seasonal employees. The City also processes a separate monthly payroll for the fire department which consists of approximately 30 firefighters. Paydays are typically on Fridays, unless a holiday occurs (payday is then the previous working day).

### Banking Supplies

Current practice is to purchase deposit slips from the bank. If coin rolling is required, the bank must also provide the rolling papers.

### Night Depository Services

The City of Redwood Falls uses night depository services.

#### ACH Exception / Return Reporting

The City of Redwood Falls receives information on ACH returns via email. It is important to receive adequate information from the institution so the customer payment can be easily identified and issues resolved.

#### Online Image Retrieval of A/P Checks

This service is used occasionally and mainly for individual requests or circumstances.

#### Online Stop Payments

This service is rarely used. The City of Redwood Falls uses this service to stop payment primarily on lost checks.

#### Online Wire Transfers

This service is used on average two times per month. Dual authorization is used for new wire transfers and transfers over \$250,000.

#### Positive Pay / Payee on Checking Accounts

This service only applies to the primary checking account. The City of Redwood Falls utilizes payee positive pay so checks presented for payment must match the check number, dollar amount, and vendor. The City also utilizes ACH positive Pay.

#### ACH Fraud Detection

Certain vendors draw funds from the City's primary checking account and are verified through this service.

#### Monthly Account Statements

Paperless statements are preferred, with online access for various users. Calendar month statements are required to align with the City of Redwood Fall's fiscal periods.

#### Excellent Customer Service and Response

The City of Redwood Fall's current institution provides excellent service, so the standard has been set high.

### **D. Proximity**

Your institution must operate a branch within the City of Redwood Falls, Minnesota that will be able to offer the full range of banking services required by the RFP.

### **E. Proposal Format**

The proposal must be completed in its entirety. Any relevant supplemental information should be included as attachments. If an institution cannot meet a service requirement, the institution should enter "No Proposal" for the specific requirement.

**F. Contact**

Proposals must be clearly marked "Banking Services – City of Redwood Falls" or similar. Electronic proposals are acceptable and encouraged. Paper proposals should be mailed to the address shown below. Acknowledgement of proposal receipt will be provided.

Kari Klages, Finance Director  
City of Redwood Falls  
P.O. Box 526, Redwood Falls, MN 56283  
kklages@ci.redwood-falls.mn.us

Questions pertaining to the specific requirements and content of this RFP should be in written form and directed to Kari Klages. Refer to Timeline below for deadline dates.

**G. Timeline** (Subject to Change)

June 21, 2023	RFP distributed to institutions
July 28, 2023 at 4:00 pm (CST)	Proposals due from institutions
August 15, 2023	Council approves institution

The conversion date will be determined as mutually agreed upon.\*\*

\*\*If applicable. Not necessary if no change in banking relationship.

***Response to Request for Proposal for Banking Services***

Please address the following items within the RFP response.

**A. Safety and Soundness**

Provide the following financial information:

- Audited Financial Statements for the most recent fiscal year (copy or internet link)
- Your institution’s ratings from one of the following rating agencies: Moody’s, Standard & Poor’s and Fitch
- FDIC Composite rating
- A statement regarding any recent or foreseen merger or acquisition
- Full collateralization, in excess of balances insured by the FDIC, as per the City’s investment policy and State requirements.

**B. Institution Personnel & Contacts**

Provide a primary relationship manager who will serve as a central point of contact who understands the needs of the City of Redwood Falls and can offer recommendations for service improvement.

Provide the names of individuals, with phone numbers and e-mail addresses, who would be the City’s contacts for the proposed services and their areas of responsibility including their specific experience relative to the request for proposal requirements.

Provide the address of the office location that will service the account.

### **C. Customer Service**

Describe your institution's customer service philosophy and organizational structure and provide meaningful examples to illustrate.

### **D. Disaster Recovery**

Describe the procedures established for disaster recovery in the event of a systems failure or other disaster at the institution's primary processing site.

### **E. References**

Provide names, titles, phone numbers and email of Two (2) Public Sector references of customers who have used services similar to those included in this request, preferably within our industry or with comparable volumes.

### **F. Implementation**

1. Provide a detailed description of the implementation process, including testing, and a sample implementation schedule.
2. Will an implementation manager/team be assigned?
3. What is the average lead-time required for implementation, including but not limited to the following services?
  - a. Account Opening
  - b. Deposit Ticket Orders and Endorsement Stamps
  - c. Information Reporting
  - d. Other
4. Describe support provided during implementation, including training, technical assistance, user manuals and on-site visits.

### **G. Bank Compensation**

1. Does the institution accept compensation in fees, balances, or a combination of the two?
2. What is the due date for bank fees and what is the process for paying those fees?
3. Describe the method used to calculate the earnings credit rate (ECR).
4. What has the institution's ECR been for the last six months?
5. How often are bank fees and earnings credit rates adjusted?
6. How long will you guarantee quoted rates and fees?
7. Is there a reserve requirement deduction? What is the calculation for a reserve requirement?
8. How does the institution charge for non-sufficient fund checks deposited?
9. How does the institution charge for stop payment requests?



10. How do you determine and calculate availability of deposited items?
11. Provide a fee schedule that outlines the fees associated with all services requested.

## **H. Online Internet Services**

1. Provide a detailed overview of your internet business portal services and capabilities.
2. Are multiple users able to access online services?
3. Provide a fee schedule that outlines the fees associated with this service.

## **I. Depository Services**

1. Describe the institution's branch, night drop, vault (via armored courier) service options.
2. What is the cut-off time to ensure same day ledger credit?
3. Do you accept loose and/or rolled coin for deposit at branch and night drop locations?
4. Provide an availability schedule for all deposit service options.
5. Does the customer order deposit tickets and other supplies through the institution or directly from a vendor? How are the charges handled?
6. What types of deposit bags do you allow/require?
7. Does the institution identify and adjust all discrepancies? Describe the documentation provided for deposit discrepancies.
8. Provide a fee schedule that outlines the fees associated with this service.

## **J. Return Item Processing**

1. Can return items be automatically redeposited? If so, how many times?
2. Provide the institution's standard return item and re-clear processing instructions.
3. Provide a fee schedule that outlines the fees associated with this service.

## **K. Stop Payment Services**

1. Provide a brief description stop payment services.
2. Provide a fee schedule that outlines fees associated with this service.

## **L. Remote Deposit Services**

1. Provide a brief description and general workflow of your remote deposit service capabilities.
2. Provide a fee schedule that outlines the fees associated with this service.

## **M. Positive Pay Services**

1. Provide a brief description of the service, including data transmission methods and time windows.
2. What is the cut-off time for making decisions on exceptions?
3. How does the City notify the institution of voided and stop payment checks?
4. Does your institution have payee verification?
5. How does the institution handle exception ("paid not issued") items?
6. Provide a fee schedule that outlines the fees associated with this service.

## **N. ACH Processing**

1. Describe which ACH origination methods are available (e.g. direct transmission, on-line, or other).
2. What are the hours of operation of your ACH processing unit?
3. Provide a schedule of days the institution's processing centers will be closed.
4. Explain the cut-off times, relative to Settlement Date, for customer initiation of ACH entries. Please specify cut-off time differences between credits and debits (if applicable).
5. Describe your ACH fraud prevention services.
6. Describe the procedures used to verify accurate and secure receipt of transmissions.
7. Can the institution automatically redeposit items returned for insufficient or uncollected funds?
8. How does the institution handle file, batch, and item reversals and deletions?
9. Provide a fee schedule that outlines the fees associated with this service.

## **O. Wire Transfers**

1. Briefly describe all domestic wire transfer initiation products currently supported by the bank.
2. For each method listed above, describe the process of initiation, approval and release.
3. Does your institution have the capability to require different levels of requestor/approval for wires and/or ACH payments?
4. Does your institution have the ability to create and store recurring/repetitive wire instructions/templates?
5. Does your institution have the ability to create and store future-dated wire instructions?

6. What are the cutoff times for initiating domestic wire transfers to ensure same day settlement?
7. Provide a fee schedule that outlines the fees associated with this service.

**P. Direct Deposit for Payroll**

1. Describe the requirements, deadlines and process for ACH transactions.
2. When will the funds be drawn from the City's account?
3. When will the funds be available in participating institutions?
4. Provide a fee schedule that outlines the fees associated with this service.

**Q. Errors and Adjustments**

1. Describe your adjustment process for resolving deposit discrepancies.
2. At what dollar amount do you write off discrepancies?
3. Do you adjust the deposit amount or process an adjusting debit or credit?
4. Provide a fee schedule that outlines the fees associated with this service.

**R. Investments**

1. What investment options does your institution offer?
2. Does the institution provide sweep vehicles for the investment of excess balances? If so, describe the functionality of the sweep.
3. How is the investment account linked to the operation (checking) account?
4. Is the investment account accessible on-line?

**S. Security/Protection Measures**

1. What security features are in place to minimize the risk of unauthorized transactions?
2. Provide a fee schedule that outlines the fees associated with this service.

**T. Competitive Position and Future Commitment**

1. What differentiates your service from other providers?
2. How do you plan to keep your products current and competitive?

## **U. Miscellaneous Services**

1. List in your proposal any other services provided by your institution that would be beneficial to the City of Redwood Falls.
2. List and discuss any:
  - special conditions
  - other fees not provided in previous sections
  - online training and resources
  - deviations from the requested scope
  - other services not provided in previous sections

## ***Evaluation of Proposals***

### **A. Acceptance / Rejection**

The City of Redwood Falls reserves the right at its sole discretion to accept or reject any or all proposals in part or in total, as deemed to be in the best interest of the City, and to waive all minor irregularities in the proposal process. The City may also request additional information or clarification from proposing institutions if deemed necessary.

The issuance of this RFP does not obligate the City to purchase services. The final selection, if any, will be that proposal which in the opinion of the City best meets the requirements set forth in this RFP, and is in the best interest of the City.

### **B. Evaluation Criteria**

The contract awarded will be based upon many factors including, but not limited to: service, cost, location, financial strength, technology and innovation. No single factor will determine the final decision. THE CITY will review all proposals according to the following criteria (in no particular order):

- Understanding the needs and operation requirements of the City
- Responsiveness to the RFP's specifications and requirements
- The sufficiency of the financial resources and ability of the institution to perform the required and desired services
- Bank and branch locations for General Banking Services
- Responses of client references
- The reputation, financial stability, and longevity of the institution
- The quality, availability, and adaptability of the services to the particular needs required
- Cost of the services provided
- The value of any new product or service suggestions or other new ideas and enhancements
- The institution's fee structure

Please note: Costs and fees of banking services, although a significant factor, may not be the deciding factor. Cost will be particularly important when all other evaluation criteria are relatively equal.

### C. Awarding of Banking Services

The City Council will award the Banking Services upon the review and recommendation of City finance staff at the Council meeting on August 15, 2023, beginning at 5:00 pm (CST).

## City of Redwood Falls Statistics

<b>GENERAL CHECKING ACCOUNT:</b>	
Average cash deposited per month	\$91,980
Average # of deposits at bank per month	93
Average # of customer checks deposited at bank per month	153
Average # of remote deposits per month	33
Average # of remote deposit checks deposited at bank per month	780
Average # of electronic debit/credits per month	367
Average # of checks written per month	189
Average # of out-going wires per month	2
Average # of ACH uploads per month	8
Average # of ACH upload items per month	703
Average daily balance	\$1,460,471



303 East 3<sup>rd</sup> Street  
PO Box 526  
Redwood Falls, MN 56283-0526  
Phone: 507-637-4005  
Fax: 507-637-1347

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Meeting Date: June 20, 2023

### **Agenda Recommendation**

**Agenda Item:** Police Officer Position

**Recommendation/Action Requested:** Staff recommends approval of an employment offer Joseph Shaffer.

**Summary/Overview:**

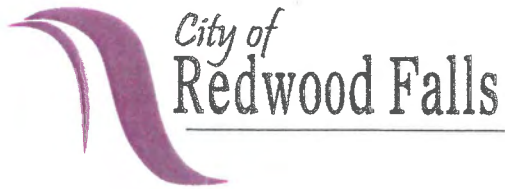
On Friday, May 12, 2023, Officer Aaron Clancy worked his last shift at RFPD after accepting a sergeant position with the Redwood County Sheriff's Office. Officer Clancy's departure created a vacant full-time officer position within the department. An internal posting for the position was issued on May 30, 2023 with a closing date of June 9, 2023. At the time of closing one candidate, Joseph Shaffer, submitted for the vacant position.

Joseph Shaffer was recently hired as a part-time officer for RFPD. He arrived at RFPD with approximately two years of full-time law enforcement experience at Springfield Police Department and Brown County Sheriff's Office. Because Officer Shaffer has been through a background check, psychological testing, and all the normal pre-employment checks during his part-time hiring process the conditional offer was contingent only on City Council approval.

Staff recommends City Council approve hiring Joseph Shaffer to fill the vacant full-time officer position.

**Attachments:**

Employment Offer



Sheila Stage  
Human Resources Coordinator  
Phone: 507-616-7400  
Fax: 507-637-2417  
sstage@ci.redwood-falls.mn.us

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June 14, 2023

Mr. Joseph Shaffer  
214 N Minnesota St.  
New Ulm, MN 56073

Dear Joseph,

We are very pleased to offer you the full-time position of Police Officer for the City of Redwood Falls. We look forward to having you as part of our team. Please be advised that this offer of employment is contingent upon the following:

- A satisfactory report from your drug test, pre-employment physical, and psychological testing.
- City Council approval at the next scheduled City Council meeting after the above items have been completed.

This position is classified as full-time, non-exempt (overtime eligible). The normal work period for Police Officers consists of 28 consecutive days. The City of Redwood Falls complies with the Fair Labor Standards Act in relation to overtime for any hours worked in excess of 171 hours during a normal 28-day work period. Your position is eligible for overtime. This position will require varying hours of work that will necessitate evening and weekend work.

In accordance with City policy and applicable law, the following deductions will be made from your payroll checks:

- Insurance premiums for health, dental, life, flex accounts, *only if you elect them.*
- Statutorily required PERA contributions.
- Federal and State withholding for taxes, etc.
- Applicable union dues.

As permitted by City policy, you are entitled to the following allowances:

- An annual \$800.00 Uniform allowance as per the 2022 LELS Union Contract.

Your starting wage will be \$29.416 per hour which is step 2 of the LELS wage schedule and your first day of work is projected to be approximately June 27, 2023.

In January of 2024, you will be eligible for a 3% COLA as established by the City Council. You will be placed on a one (1) year probationary period. After one (1) year and after receiving a satisfactory job performance evaluation, you will be eligible for a step increase.

Per our standard procedure, this offer letter is not intended, nor should it be considered as, an employment contract for a definite or indefinite period of time.

Page 2  
Offer Letter  
Joseph Shaffer

Your position is subject to a 14-day pay period and our regularly scheduled pay period is bi-weekly.

As a full-time employee, you will accrue vacation and sick leave on a bi-weekly basis. Your vacation leave accrual will begin at 1.85 hours per pay period. Your sick leave accrual will be 3.69 hours per pay period.

In accordance with the Immigration and Reform and Control Act of 1986, you must provide appropriate documentation to establish identity and eligibility for employment on your first day of work. I've included a copy of the Department of Homeland Security's list of acceptable documents for your review. Please complete Section 1 of the I-9 form and bring this completed document with you on your first day of employment. You will need to bring documents for this form showing proof of identity and employment authorization. See page 3 of the I-9 document for a list of acceptable documents.

I have also included Form SSA-1945 that contains information about the Windfall Elimination Provision and the Government Pension Offset Provision for you to sign since your employment in this job will not be covered by Social Security. I will need you to sign this form and return it to me.

In addition, prior to your first day of employment I will be sending you new-hire paperwork and your benefit enrollment forms to complete. However, some benefit forms may still need to be completed on your first day of employment so please make sure to bring dates of birth and social security numbers for any dependent you want covered by health insurance.

We are pleased that you will be joining our team and look forward to working with you in this position. If you have any questions prior to your start date, please feel free to contact me.

Sincerely,



Sheila Stage  
HR Coordinator  
cc: Personnel File

By signing below, I acknowledge I have received the foregoing information regarding my employment offer and related pay and benefits provided in accordance with Minnesota Statutes sec. 181.032. I understand that the City of Redwood Falls employment is not for a specific term and can be terminated by me or by the City of Redwood Falls at any time for any reason, with or without cause.

  
Name

6/14/23  
Date

Once signed to indicate you'll be joining our team, email the entire offer letter to [sstage@ci.redwood-falls.mn.us](mailto:sstage@ci.redwood-falls.mn.us) or send it to our confidential fax number at (507) 637-2417.

You have a right to receive this notice in a language other than English. If you need this letter translated in other languages, please contact our office at (507) 616-7400.