

CITY OF REDWOOD FALLS, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



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INTRODUCTORY SECTION

CITY OF REDWOOD FALLS, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2023

Name	Position	Term Expires
Tom Quackenbush	Mayor	December 31, 2026
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, 2026
James Sandgren	Council Member	December 31, 2026
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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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 11, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
June 11, 2024

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023. 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 \$74,847,983. Of this amount \$13,499,742 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 \$2,139,615, over 2022.
- The City's governmental funds reported combined ending fund balances of \$14,844,257. Of this total amount, \$4,212,469 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 \$4,831,995 or 70% 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, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Net Position and Statement of Activities (Continued)

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

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

Fund Financial Statements

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

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

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

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

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

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 31 of this report.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 81-102 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City of Redwood Falls' net position increased during 2023 by \$2,139,615. 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	
	2023	2022	2023	2022	2023	2022
Current and Other Assets						
Capital Assets	\$ 16,710,717	\$ 18,960,245	\$ 13,910,129	\$ 9,894,384	\$ 30,620,846	\$ 28,854,629
Total Assets	33,292,882	29,784,573	49,912,458	47,180,398	83,205,340	76,964,971
	50,003,599	48,744,818	63,822,587	57,074,782	113,826,186	105,819,600
Deferred Outflows of Resources	2,815,154	3,098,175	382,443	599,421	3,197,597	3,697,596
Noncurrent Liabilities Outstanding	7,399,366	10,274,968	27,721,206	22,531,285	35,120,572	32,806,253
Other Liabilities	1,487,741	1,320,053	2,147,758	2,003,587	3,635,499	3,323,640
Total Liabilities	8,887,107	11,595,021	29,868,964	24,534,872	38,756,071	36,129,893
Deferred Inflows of Resources	2,893,719	570,580	526,010	108,355	3,419,729	678,935
Net Position						
Net Investment in Capital Assets	29,086,789	26,100,332	29,207,585	26,471,379	58,294,374	52,571,711
Restricted	2,169,371	2,406,560	884,496	513,359	3,053,867	2,919,919
Unrestricted	9,781,767	11,170,500	3,717,975	6,046,238	13,499,742	17,216,738
Total Net Position	<u>\$ 41,037,927</u>	<u>\$ 39,677,392</u>	<u>\$ 33,810,056</u>	<u>\$ 33,030,976</u>	<u>\$ 74,847,983</u>	<u>\$ 72,708,368</u>

Governmental Activities

Net position of the City's governmental activities increased by \$1,360,535 or 3.4%. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirement was \$9,781,767 at December 31, 2023. A thorough analysis of governmental activities is discussed below.

Business-Type Activities

The net position of our business-type activities increased by \$779,080 or 2.4%, due to the City's proprietary funds continuing to show strong financial performance. The Proprietary funds made cash transfers to governmental funds totaling approximately \$716,000.

CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities (Continued)

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	
	2023	2022	2023	2022	2023	2022
Revenue						
Program Revenues						
Charges for Services	\$ 1,724,864	\$ 1,729,327	\$ 13,343,621	\$ 12,974,490	\$ 15,068,485	\$ 14,703,817
Operating Grants and Contributions	726,907	655,803	-	3,796	726,907	659,599
Capital Grants and Contributions	1,920,379	1,018,552	348,228	1,137,787	2,268,607	2,156,339
General Revenues						
Property Taxes	3,838,375	3,603,967	-	-	3,838,375	3,603,967
Franchise Fees	222,615	246,873	-	-	222,615	246,873
Hotel Taxes	54,910	52,952	-	-	54,910	52,952
Intergovernmental Revenues	1,764,852	1,724,474	-	-	1,764,852	1,724,474
Investment Earnings (Loss)	550,195	(863,904)	422,523	(642,308)	972,718	(1,506,212)
Gain on Disposal of Assets	141,796	52,643	-	-	141,796	52,643
Miscellaneous	166,333	210,497	38,433	243,899	204,766	454,396
Total Revenue	11,111,226	8,431,184	14,152,805	13,717,664	25,264,031	22,148,848
Expenses						
General Government	1,609,367	1,492,317	-	-	1,609,367	1,492,317
Public Safety	2,981,973	2,740,172	-	-	2,981,973	2,740,172
Highways & Streets	1,860,453	1,900,909	-	-	1,860,453	1,900,909
Culture and Recreation	2,997,697	3,081,340	-	-	2,997,697	3,081,340
Economic Development	248,429	361,760	-	-	248,429	361,760
Airport	672,793	611,674	-	-	672,793	611,674
Community Development	-	4,489	-	-	-	4,489
Interest and Fiscal Charges	96,389	134,204	-	-	96,389	134,204
Municipal Liquor Store	-	-	2,607,579	2,529,525	2,607,579	2,529,525
Water Utility	-	-	1,763,475	1,503,421	1,763,475	1,503,421
Sewer Utility	-	-	1,346,961	1,313,577	1,346,961	1,313,577
Storm Sewer Utility	-	-	366,318	353,121	366,318	353,121
Electric Utility	-	-	6,572,982	6,098,677	6,572,982	6,098,677
Total Expenses	10,467,101	10,326,865	12,657,315	11,798,321	23,124,416	22,125,186
Change in Net Position Before Transfers	644,125	(1,895,681)	1,495,490	1,919,343	2,139,615	23,662
Transfers	716,410	2,117,935	(716,410)	(2,117,935)	-	-
Change in Net Position	1,360,535	222,254	779,080	(198,592)	2,139,615	23,662
Net Position - Beginning of Year	39,677,392	39,455,138	33,030,976	33,229,568	72,708,368	72,684,706
Net Position - End of Year	<u>\$ 41,037,927</u>	<u>\$ 39,677,392</u>	<u>\$ 33,810,056</u>	<u>\$ 33,030,976</u>	<u>\$ 74,847,983</u>	<u>\$ 72,708,368</u>

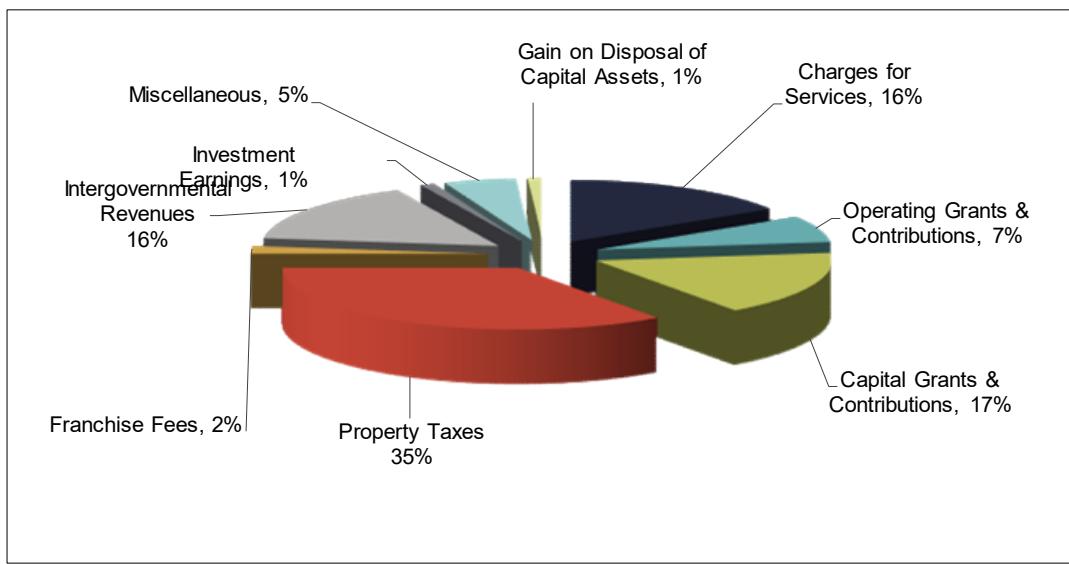
**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

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

**2023 REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES**



Revenues – The City's governmental activities revenues increased by \$2,680,042 or 31.8%. The major components of this increase are explained as follows:

- Investment earnings increased in 2023 by \$1,414,000 due to improving market conditions and an increase in fair market value.
- Charges for Services decreased by \$5,000. This decrease was due to a decrease of \$23,000 in general government activities, \$59,000 in public safety, and \$24,000 at the airport. This was offset by an increase of \$103,000 in activity fees at the Redwood Area Community Center, Redwood Falls Aquatic Center, and the Redwood Falls Public Library.
- Operating grants and contributions increased in 2023 by \$71,000. This increase was due to the Minnesota Legislature enacting a one-time Public Safety Aid distribution payable in 2023. Redwood Falls received \$221,000 of these one-time funds. This increase was offset by a decrease of \$104,000 in pass through grants for the Small Cities Development Program as well as various other small grants and contributions.
- Capital grants and contributions increased in 2023 by \$902,000. This increase was due to a \$528,000 increase in grants and contributions towards street projects primarily related to the Reflection Ridge Business Park development and the 4th Street Reconstruction Project. There was also a \$382,000 increase in public safety grants and contributions related to the donation of a tactical vehicle.
- Franchise Fees decreased by \$24,000 and Lodging Tax revenues increased by \$2,000.
- Property taxes increased in 2023 by \$234,000 and Local Government Aid (LGA) increased by \$40,000.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

Expenses – The City's expenses for governmental activities increased by \$140,236 or 1.4%. The major components of this increase are explained as follows:

- Personnel costs increased \$143,000 due to a 3% cost of living raise, as well as increased benefit costs and pension expenses. The largest increase was in Public Safety.
- Interest and fiscal charges decreased by \$38,000. This decrease was due to a combination of additional interest payments from bonds issued in 2022 as well as decreased fiscal charges because there were no bonds issued in 2023 related to governmental activities.
- Economic development expenses decreased \$113,000 primarily due to a decrease in pass through expenses related to the Small City Development Program.
- Other increases included \$93,000 in professional services, \$42,000 in miscellaneous other services and charges and \$14,000 in supplies.

Business-Type Activities

Revenues – The City's business-type operating revenues and other income increased 3.2%, or \$435,141 in 2023 when compared to 2022. The major components of this increase include an increase in charges for services of \$369,000. The increase includes \$125,000 in the water utility, \$185,000 in sewer, \$25,000 in storm sewer, \$33,000 in electric, and \$1,000 at the liquor store. The majority of these increases are a result of rate increases due to higher costs and ongoing infrastructure maintenance requirements. Investment earnings also increased \$1,065,000 due to an increase in fair market value. These increases were offset by a \$793,000 decrease in Capital grants and contributions due to funding received in 2022 for specific projects and \$206,000 decrease in miscellaneous revenues.

Expenses – There was an increase in business-type expenses of \$858,994 or 7.3% in 2023 when compared to 2022. The major components of this increase include an increase in personnel expenses of \$173,000 due to a 3% cost of living raise, as well as increased benefit costs and pension expenses. Other major cost increases include a \$209,000 increase in minor equipment and supplies, a \$362,000 increase in purchased power, and a \$185,000 increase in bond expenses, including interest and fiscal agent fees. This increase was offset by a \$74,000 decrease in depreciation expense.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund – The City's General Fund balance increased by \$565,960 from the 2022 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, 2023**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Capital Project Fund – The Capital Project Fund balance decreased by \$2,307,369 and ended the year with a \$5,056,053 fund balance. This decrease is primarily due to the spend down of transfers and bond proceeds received in 2022 to be used for capital projects. It includes \$2,767,000 towards the Homes of Reflection Prairie and Reflection Ridge Business Park development project, \$1,311,000 towards road reconstruction projects and \$197,000 towards various other miscellaneous capital projects. There was also \$187,000 towards miscellaneous capital repairs and maintenance. This decrease was offset by \$1,607,000 in State and Federal Grants, \$105,000 in private contributions, \$124,000 in investment earnings, \$181,000 in tax proceeds, \$80,000 in transfers and \$56,000 in other miscellaneous revenues.

Nonmajor Governmental Funds – The fund balances for the Nonmajor Governmental Funds increased by \$134,230 in total. The increase is primarily due to an increase in special revenue funds of \$123,000. This increase was made up of a \$53,000 increase in the Airport Operations fund due to higher than anticipated fuel sales, a \$52,000 increase in the TIF fund due to annual tax increments received, and a \$31,000 increase in the Revolving loan fund due to interest earnings. These increases were offset by a decrease in the Fire Equipment Replacement fund of \$23,000. Debt service funds also saw an increase of \$76,000 to save for future debt service payments. This was offset by a decrease of \$66,000 in the Airport Capital Project fund primarily due to expenses towards the updating of the Airport Masterplan.

General Fund Budgetary Highlights

Actual revenue was greater than budget in 2023 by \$636,554. The overbudget revenue was made up of several factors including investment earnings being approximately \$228,000 over budget due to improving market conditions. Other revenues that exceeded budget include public safety intergovernmental revenues which were approximately \$266,000 over budget due to federal grants and higher than anticipated state aid, as well as recreation fees being approximately \$71,000 higher than anticipated.

Expenditures were more than budget by \$54,638. A significant variance over budget includes approximately \$85,000 in public safety expenditures with the majority of this due to ongoing worker's compensation cases and resulting overtime.

Transfers out were higher than budget by \$72,044, which is the repayment of the MSAS advance to the TIF 10-1 fund that was transferred to the Capital Project Fund for future projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City of Redwood Falls, had \$144,493,626 invested (original cost) in a broad range of capital assets. Refer to Note 4 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 \$8,861,959 over last year.

Long-Term Debt

At year-end, the City of Redwood Falls, had \$30,947,739 in outstanding long-term debt. During 2023, \$6,640,000 of bonds were issued. Refer to Note 5 of the basic financial statements for a schedule showing the City's long-term debt activity.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Redwood Falls' appointed officials considered many factors when presenting the fiscal year 2024 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 or by phone at 507-616-7400.

BASIC FINANCIAL STATEMENT

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 12,896,410	\$ 8,558,924	\$ 21,455,334
Cash and Investments - Restricted	-	856,800	856,800
Accounts Receivable, Net	223,709	1,378,818	1,602,527
Property Taxes Receivable	90,771	-	90,771
Special Assessments Receivable	29,971	73,767	103,738
Accrued Interest Receivable	24,489	45,142	69,631
Interfund Balances	(1,103,542)	1,103,542	-
Due from Other Governments	737,345	244,116	981,461
Inventories	-	268,458	268,458
Prepaid Items	170,808	1,364,654	1,535,462
Property Held for Resale	2,537,648	-	2,537,648
Notes Receivable	408,351	-	408,351
Lease Receivable	170,269	-	170,269
Acquisition Costs, Net of Amortization	-	15,908	15,908
Net Pension Asset	13,176	-	13,176
Capital Assets Not Being Depreciated/Amortized:			
Land	2,722,453	1,597,267	4,319,720
Land Improvements	100,938	-	100,938
Construction in Progress	5,161,316	12,086,442	17,247,758
Capital Assets Being Depreciated/Amortized:			
Other Capital Assets, Net of Depreciation	25,308,175	36,228,749	61,536,924
Intangible Right-to-Use Assets, Net of Amortization	511,312	-	511,312
Total Assets	<u>50,003,599</u>	<u>63,822,587</u>	<u>113,826,186</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding Bonds	1,290	17,659	18,949
Pension Related	2,794,224	353,284	3,147,508
Other Postemployment Benefits Related	19,640	11,500	31,140
Total Deferred Outflows of Resources	<u>2,815,154</u>	<u>382,443</u>	<u>3,197,597</u>
LIABILITIES			
Accounts Payable	190,573	548,683	739,256
Contracts Payable	530,833	913,522	1,444,355
Accrued Salaries and Fringes	106,877	56,514	163,391
Accrued Interest Payable	37,857	256,169	294,026
Due to Other Governments	7,166	71,933	79,099
Deposits Payable	19,718	133,381	153,099
Unearned Revenue	312,595	19,475	332,070
Long-Term Liabilities:			
Net Pension Liability	2,836,860	1,335,973	4,172,833
Other Postemployment Benefits Liability Due Within One Year	10,895	6,380	17,275
Other Postemployment Benefits Liability Due in More than One Year	271,227	141,701	412,928
Due Within One Year	577,813	1,542,788	2,120,601
Due in More than One Year	3,984,693	24,842,445	28,827,138
Total Liabilities	<u>8,887,107</u>	<u>29,868,964</u>	<u>38,756,071</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	2,578,505	425,343	3,003,848
Other Postemployment Benefits Related	159,162	100,667	259,829
Lease Related	156,052	-	156,052
Total Deferred Inflows of Resources	<u>2,893,719</u>	<u>526,010</u>	<u>3,419,729</u>
NET POSITION			
Net Investment in Capital Assets	29,086,789	29,207,585	58,294,374
Restricted for:			
Police Seizures	34,569	-	34,569
Public Safety	221,733	-	221,733
Gilwood Haven	237,627	-	237,627
Debt Service	41,459	856,800	898,259
Library	334,611	-	334,611
Port Authority	133,760	-	133,760
Revolving Loans	781,523	-	781,523
Capital Improvements	-	27,696	27,696
Transportation	370,913	-	370,913
Firefighter Pension	13,176	-	13,176
Unrestricted	9,781,767	3,717,975	13,499,742
Total Net Position	<u>\$ 41,037,927</u>	<u>\$ 33,810,056</u>	<u>\$ 74,847,983</u>

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,609,367	\$ 296,176	\$ 6,262	\$ -
Public Safety	2,981,973	166,824	426,459	562,217
Highways and Streets	1,860,453	3,386	90,744	1,174,901
Culture and Recreation	2,997,697	897,040	60,615	109,875
Economic Development	248,429	18,507	82,066	-
Airport	672,793	342,931	60,761	73,386
Interest and Fiscal Charges	96,389	-	-	-
Total Governmental Activities	<u>10,467,101</u>	<u>1,724,864</u>	<u>726,907</u>	<u>1,920,379</u>
BUSINESS-TYPE ACTIVITIES				
Municipal Liquor Store	2,607,579	2,643,204	-	-
Water Utility	1,763,475	1,818,236	-	17,661
Sewer Utility	1,346,961	1,243,778	-	30,487
Storm Sewer Utility	366,318	377,620	-	300,080
Electric Utility	6,572,982	7,260,783	-	-
Total Business-Type Activities	<u>12,657,315</u>	<u>13,343,621</u>	<u>-</u>	<u>348,228</u>
Total	<u><u>\$ 23,124,416</u></u>	<u><u>\$ 15,068,485</u></u>	<u><u>\$ 726,907</u></u>	<u><u>\$ 2,268,607</u></u>

GENERAL REVENUES

Taxes:

Property Taxes, Levied for General Purpose

Franchise Taxes

Hotel/Motel Taxes

Intergovernmental Revenues, Not Restricted to Specific Programs

Investment Earnings

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

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities		Business- Type Activities		Total
\$		\$		\$
(1,306,929)		-		(1,306,929)
(1,826,473)		-		(1,826,473)
(591,422)		-		(591,422)
(1,930,167)		-		(1,930,167)
(147,856)		-		(147,856)
(195,715)		-		(195,715)
(96,389)		-		(96,389)
<u>(6,094,951)</u>		<u>-</u>		<u>(6,094,951)</u>
		35,625		35,625
		72,422		72,422
		(72,696)		(72,696)
		311,382		311,382
		687,801		687,801
		<u>1,034,534</u>		<u>1,034,534</u>
(6,094,951)		1,034,534		(5,060,417)
3,838,375		-		3,838,375
222,615		-		222,615
54,910		-		54,910
1,764,852		-		1,764,852
550,195		422,523		972,718
141,796		-		141,796
166,333		38,433		204,766
716,410		<u>(716,410)</u>		-
<u>7,455,486</u>		<u>(255,454)</u>		<u>7,200,032</u>
1,360,535		779,080		2,139,615
<u>39,677,392</u>		<u>33,030,976</u>		<u>72,708,368</u>
<u>\$ 41,037,927</u>		<u>\$ 33,810,056</u>		<u>\$ 74,847,983</u>

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
BALANCE SHEET — GOVERNMENTAL FUNDS
DECEMBER 31, 2023

ASSETS			Nonmajor Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Cash and Investments	\$ 5,718,161	\$ 5,248,650	\$ 1,443,657	\$ 12,410,468
Accounts Receivable, Net	135,709	45,666	10,190	191,565
Property Taxes Receivable	70,788	-	19,983	90,771
Special Assessments Receivable	29,971	-	-	29,971
Accrued Interest Receivable	7,088	14,357	3,044	24,489
Advances to Other Funds	619,526	-	-	619,526
Due from Other Governments	52,293	500,238	177,442	729,973
Prepaid Items	108,952	108	57,260	166,320
Property Held for Resale	-	-	2,537,648	2,537,648
Notes Receivable	-	-	408,351	408,351
Lease Receivable	-	-	170,269	170,269
Total Assets	<u>\$ 6,742,488</u>	<u>\$ 5,809,019</u>	<u>\$ 4,827,844</u>	<u>\$ 17,379,351</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 108,446	\$ 1,112	\$ 65,053	\$ 174,611
Contracts Payable	-	522,336	8,497	530,833
Accrued Salaries and Fringes	88,166	-	8,782	96,948
Due to Other Funds	43,506	-	2,295	45,801
Due to Other Governments	7,139	-	23	7,162
Advances from Other Funds	-	-	619,526	619,526
Deposits Payable	5,033	-	11,000	16,033
Unearned Revenue	246,683	1,855	64,057	312,595
Total Liabilities	<u>498,973</u>	<u>525,303</u>	<u>779,233</u>	<u>1,803,509</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	-	156,052	156,052
Unavailable Revenue - Taxes and Special Assessments	73,938	-	13,443	87,381
Unavailable Revenue - Notes	-	-	123,351	123,351
Unavailable Revenue - Grants and Other	8,651	227,663	128,487	364,801
Total Deferred Inflows of Resources	<u>82,589</u>	<u>227,663</u>	<u>421,333</u>	<u>731,585</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	108,952	108	57,260	166,320
Advance	619,526	-	-	619,526
Property Held for Resale	-	-	2,537,648	2,537,648
Restricted for:				
Police Seizures	34,569	-	-	34,569
Public Safety Aid	221,733	-	-	221,733
Gilwood Haven	237,627	-	-	237,627
Debt Service	-	-	72,180	72,180
Library	-	-	325,000	325,000
Port Authority	-	-	132,436	132,436
Revolving Loans	-	-	658,172	658,172
Transportation	-	282,913	-	282,913
Committed to:				
Fire Equipment	-	-	341,398	341,398
Airport Operations	-	-	67,215	67,215
Economic Development	-	338,455	-	338,455
Capital Expenditures	-	1,307,034	-	1,307,034
Assigned to:				
Fire Relief Contribution	106,524	-	-	106,524
Capital Projects - Reflections	-	3,127,543	-	3,127,543
Airport Projects	-	-	55,495	55,495
Unassigned:				
Total Fund Balances	<u>4,831,995</u>	<u>-</u>	<u>(619,526)</u>	<u>4,212,469</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,742,488</u>	<u>\$ 5,809,019</u>	<u>\$ 4,827,844</u>	<u>\$ 17,379,351</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, 2023

Total Fund Balance for Governmental Funds \$ 14,844,257

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	\$ 2,670,553
Land Improvements	100,938
Construction in Progress	5,161,316
Land Improvements, Net of Accumulated Depreciation	1,282,269
Buildings, Net of Accumulated Depreciation	8,211,723
Infrastructure, Net of Accumulated Depreciation	8,972,204
Machinery and Shop Equipment, Net of Accumulated Depreciation	3,385,191
Right-to-Use Assets, Net of Accumulated Amortization	<u>511,312</u>
	30,295,506

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.

575,533

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.

(32,912)

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.

2,237,233

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	13,176
Net Pension Liability	(2,781,752)
Deferred Outflows of Resources - Pension Related	2,779,652
Deferred Inflows of Resources - Pension Related	(2,560,959)

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	(277,891)
Deferred Outflows of Resources - OPEB Related	19,155
Deferred Inflows of Resources - OPEB Related	(155,023)

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	(3,087,057)
Unamortized Cost of Refunding	1,290
Compensated Absences Payable	(357,478)
Lease Liability	<u>(474,803)</u>
	(3,918,048)

Total Net Position of Governmental Activities

\$ 41,037,927

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, 2023

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Tax Levies	\$ 3,037,257	\$ 181,100	\$ 891,649	\$ 4,110,006
Intergovernmental	2,292,481	1,607,276	265,040	4,164,797
Charges for Services	1,003,832	-	392,173	1,396,005
Fees, Licenses and Permits	100,449	-	-	100,449
Fines and Forfeits	24,836	-	3,761	28,597
Investment Earnings	321,567	124,108	98,349	544,024
Contributions	10,303	105,229	11,454	126,986
Miscellaneous	81,072	51,803	10,081	142,956
Total Revenues	<u>6,871,797</u>	<u>2,069,516</u>	<u>1,672,507</u>	<u>10,613,820</u>
EXPENDITURES				
Current:				
General Government	1,125,721	-	-	1,125,721
Public Safety	2,495,044	-	45,002	2,540,046
Highways and Streets	1,200,727	136,442	-	1,337,169
Culture and Recreation	1,856,773	49,870	459,974	2,366,617
Economic Development	65,926	-	163,762	229,688
Airport	-	-	471,682	471,682
Capital Outlay	31,100	4,275,013	77,128	4,383,241
Debt Service:				
Principal	77,800	-	220,693	298,493
Interest	13,733	-	111,322	125,055
Fiscal Agent Fees	-	261	714	975
Total Expenditures	<u>6,866,824</u>	<u>4,461,586</u>	<u>1,550,277</u>	<u>12,878,687</u>
EXCESS OF REVENUES UNDER EXPENDITURES	4,973	(2,392,070)	122,230	(2,264,867)
OTHER FINANCING SOURCES (USES)				
Transfers In	682,819	80,044	75,736	838,599
Transfers Out	(121,832)	-	(63,736)	(185,568)
Proceeds from Sale of Assets	-	4,657	-	4,657
Total Other Financing Sources (Uses)	<u>560,987</u>	<u>84,701</u>	<u>12,000</u>	<u>657,688</u>
NET CHANGE IN FUND BALANCES	565,960	(2,307,369)	134,230	(1,607,179)
Fund Balances - Beginning of Year	<u>5,594,966</u>	<u>7,363,422</u>	<u>3,493,048</u>	<u>16,451,436</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 6,160,926</u></u>	<u><u>\$ 5,056,053</u></u>	<u><u>\$ 3,627,278</u></u>	<u><u>\$ 14,844,257</u></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, 2023

Net Change in Fund Balance - Total Governmental Funds \$ (1,607,179)

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	\$ 4,452,825
Capital Contributions	510,359
Depreciation and Amortization Expense	<u>(1,602,786)</u>
	3,360,398

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.

10,310

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:

Repayment of Bonds	220,693
Amortization of Cost of Refunding	(429)
Repayment of Lease Liability	<u>77,800</u>
	298,064

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, 2022	(964,915)
Deferred Inflows - December 31, 2023	<u>575,533</u>
	(389,382)

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.

885

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.

15,822

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.

(364,648)

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.

36,265

Change in Net Position of Governmental Activities

\$ 1,360,535

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
DECEMBER 31, 2023

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
ASSETS				
Cash and Cash Equivalents	\$ 948,486	\$ 1,107,364	\$ 5,750,055	\$ 234,682
Cash and Cash Equivalents - Restricted	-	-	856,800	-
Accounts Receivable, Net	164,322	226,097	935,006	103
Special Assessments Receivable	57,069	7,126	6,346	-
Accrued Interest Receivable	9,455	4,826	26,640	2,471
Due from Other Funds	2,419	23,608	38,353	-
Due from Other Governmental Units	31,011	18,091	-	-
Inventories	-	-	-	268,458
Prepaid Items	10,038	124,014	1,221,121	8,529
Total Current Assets	1,222,800	1,511,126	8,834,321	514,243
NONCURRENT ASSETS				
Acquisition Costs, Net of Amortization	-	-	15,908	-
Capital Assets:				
Land	35,524	54,538	271,256	42,900
Construction in Progress	5,773,920	3,324,186	397,906	-
Buildings and Improvements	13,285,331	16,864,116	27,223,893	601,262
Machinery and Equipment	2,384,684	1,786,500	3,405,998	203,473
Total Capital Assets	21,479,459	22,029,340	31,299,053	847,635
Less: Accumulated Depreciation	(9,484,395)	(6,241,103)	(15,054,184)	(460,269)
Net Capital Assets	11,995,064	15,788,237	16,244,869	387,366
Total Noncurrent Assets	11,995,064	15,788,237	16,260,777	387,366
Total Assets	13,217,864	17,299,363	25,095,098	901,609
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding Bonds	2,319	1,867	13,148	-
Pension Related	50,083	56,826	170,814	55,265
Other Postemployment Benefits Related	1,939	1,804	5,333	1,939
Total Deferred Outflows of Resources	54,341	60,497	189,295	57,204

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2023

Storm Sewer Utility	Totals	Governmental Activities	
		Internal Service Funds	
\$ 518,337	\$ 8,558,924	\$ 485,942	
-	856,800	-	
53,290	1,378,818	32,144	
3,226	73,767	-	
1,750	45,142	-	
395	64,775	-	
195,014	244,116	7,372	
-	268,458	-	
952	1,364,654	4,488	
<u>772,964</u>	<u>12,855,454</u>	<u>529,946</u>	
	15,908	-	
1,193,049	1,597,267	51,900	
2,590,430	12,086,442	-	
2,318,437	60,293,039	1,395,395	
<u>59,425</u>	<u>7,840,080</u>	<u>4,857,281</u>	
6,161,341	81,816,828	6,304,576	
(664,419)	(31,904,370)	(2,795,888)	
<u>5,496,922</u>	<u>49,912,458</u>	<u>3,508,688</u>	
<u>5,496,922</u>	<u>49,928,366</u>	<u>3,508,688</u>	
6,269,886	62,783,820	4,038,634	
325	17,659	-	
20,296	353,284	14,572	
<u>485</u>	<u>11,500</u>	<u>485</u>	
<u>21,106</u>	<u>382,443</u>	<u>15,057</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2023

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
LIABILITIES				
Accounts Payable	\$ 26,516	\$ 101,584	\$ 349,396	\$ 65,805
Contracts Payable	391,964	232,545	142,615	-
Accrued Salaries and Fringes	8,390	9,875	24,939	9,532
Accrued Interest Payable	87,303	104,658	27,896	-
Due to Other Funds	10,031	4,974	287	1,822
Due to Other Governmental Units	-	2,039	45,341	24,553
Customer Deposits	-	-	133,381	-
Current Portion of Compensated Absences	21,374	24,217	45,361	17,773
Current Portion of Other Postemployment Benefits Liability	1,076	1,001	2,958	1,076
Current Portion of Bonds Payable	249,602	461,082	647,000	-
Total Current Liabilities	796,256	941,975	1,419,174	120,561
NONCURRENT LIABILITIES				
Compensated Absences	26,265	29,904	42,605	27,129
Other Postemployment Benefits Liability	22,557	21,754	73,652	21,970
Net Pension Liability	189,392	214,893	645,946	208,993
Bonds Payable - Long-Term	5,959,575	8,485,476	7,915,949	-
Unearned Revenue	-	-	19,475	-
Total Noncurrent Liabilities	6,197,789	8,752,027	8,697,627	258,092
Total Liabilities	6,994,045	9,694,002	10,116,801	378,653
DEFERRED INFLOWS OF RESOURCES				
Pension Related	60,299	68,416	205,654	66,539
Other Postemployment Benefits Related	16,556	17,886	45,530	16,556
Total Deferred Inflows of Resources	76,855	86,302	251,184	83,095
NET POSITION				
Net Investment in Capital Assets	6,042,022	7,133,558	12,394,973	387,367
Restricted for Capital Improvements	27,696	-	-	-
Restricted for Bond Reserve Funds	-	-	856,800	-
Unrestricted	131,587	445,998	1,664,635	109,698
Total Net Position	\$ 6,201,305	\$ 7,579,556	\$ 14,916,408	\$ 497,065

Adjustment to Reflect the Consolidated Internal Service Funds Related to the Enterprise Fund
 Total Net Position of the Business-Type Activities

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2023

Storm Sewer Utility	Totals	Governmental Activities	
		Internal Service Funds	
\$ 5,382	\$ 548,683	\$ 15,962	
146,398	913,522	-	
3,778	56,514	9,929	
36,312	256,169	4,945	
-	17,114	1,860	
-	71,933	4	
-	133,381	3,685	
4,958	113,683	7,199	
269	6,380	269	
71,421	1,429,105	52,000	
268,518	3,546,484	95,853	
4,755	130,658	9,969	
1,768	141,701	3,962	
76,749	1,335,973	55,108	
2,350,787	24,711,787	574,000	
-	19,475	-	
<u>2,434,059</u>	<u>26,339,594</u>	<u>643,039</u>	
2,702,577	29,886,078	738,892	
24,435	425,343	17,546	
4,139	100,667	4,139	
<u>28,574</u>	<u>526,010</u>	<u>21,685</u>	
3,249,665	29,207,585	2,882,688	
-	27,696	-	
-	856,800	-	
310,176	2,662,094	410,426	
<u>\$ 3,559,841</u>	<u>32,754,175</u>	<u>\$ 3,293,114</u>	
		1,055,881	
		<u>\$ 33,810,056</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, 2023

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
OPERATING REVENUE				
Sales	\$ -	\$ -	\$ -	\$ 2,643,204
Cost of Sales	- -	- -	- -	(1,988,667)
Charges for Services	1,201,717	1,795,520	6,901,076	-
Miscellaneous	42,061	22,716	359,707	-
Total Operating Revenue	<u>1,243,778</u>	<u>1,818,236</u>	<u>7,260,783</u>	<u>654,537</u>
OPERATING EXPENSES				
Personnel Services	412,209	473,928	1,291,870	460,648
Administration and General	237,029	159,262	270,245	37,909
Supplies, Repairs, Services, and Rents	234,100	423,777	3,907,042	32,817
Depreciation and Amortization	195,781	428,272	919,028	23,103
Benefits or Claims Paid	- -	- -	- -	-
Miscellaneous	53,562	7,564	- -	63,385
Total Operating Expenses	<u>1,132,681</u>	<u>1,492,803</u>	<u>6,388,185</u>	<u>617,862</u>
OPERATING INCOME (LOSS)	111,097	325,433	872,598	36,675
OTHER INCOME (EXPENSE)				
Intergovernmental Revenues	30,487	17,661	- -	-
Investment Earnings	93,854	58,081	195,680	14,116
Miscellaneous Revenues	5,726	14,937	7,292	10,276
Interest Expense	(217,385)	(275,288)	(192,317)	(1,050)
Gain on Sale of Capital Assets	- -	- -	- -	-
Total Other Income (Expense)	<u>(87,318)</u>	<u>(184,609)</u>	<u>10,655</u>	<u>23,342</u>
INCOME (LOSS) BEFORE TRANSFERS	23,779	140,824	883,253	60,017
TRANSFERS				
Transfers In	- -	- -	- -	-
Transfers Out	(71,020)	(105,347)	(396,785)	(120,000)
Total Transfers and Capital Contributions	<u>(71,020)</u>	<u>(105,347)</u>	<u>(396,785)</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	(47,241)	35,477	486,468	(59,983)
Net Position - Beginning of Year	6,248,546	7,544,079	14,429,940	557,048
NET POSITION - END OF YEAR	<u>\$ 6,201,305</u>	<u>\$ 7,579,556</u>	<u>\$ 14,916,408</u>	<u>\$ 497,065</u>

Adjustment to Reflect the Consolidation of
Internal Service Fund Activities Related to
the Enterprise Funds

Change in Net Position of
Business-Type Activities

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Storm Sewer Utility	Totals	Governmental Activities	
		Internal Service	Funds
\$ -	\$ 2,643,204	\$ -	
-	(1,988,667)		-
375,142	10,273,455	2,004,676	
2,478	426,962	1,934	
<u>377,620</u>	<u>11,354,954</u>	<u>2,006,610</u>	
142,848	2,781,503	119,735	
35,039	739,484	56,429	
34,617	4,632,353	273,856	
57,960	1,624,144	381,728	
-	-	1,350,634	
<u>12,736</u>	<u>137,247</u>	<u>2,073</u>	
<u>283,200</u>	<u>9,914,731</u>	<u>2,184,455</u>	
94,420	1,440,223	(177,845)	
300,080	348,228	7,372	
60,792	422,523	34,904	
202	38,433	-	
(84,585)	(770,625)	(11,976)	
-	-	137,139	
<u>276,489</u>	<u>38,559</u>	<u>167,439</u>	
370,909	1,478,782	(10,406)	
-	-	63,379	
<u>(23,258)</u>	<u>(716,410)</u>	<u>-</u>	
<u>(23,258)</u>	<u>(716,410)</u>	<u>63,379</u>	
347,651	762,372	52,973	
<u>3,212,190</u>		<u>3,240,141</u>	
<u>\$ 3,559,841</u>		<u>\$ 3,293,114</u>	
		<u>16,708</u>	
		<u>\$ 779,080</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 1,326,409	\$ 1,927,051	\$ 7,359,911	\$ 2,643,273
Cash Paid to Suppliers	(521,000)	(573,751)	(4,289,803)	(2,168,212)
Cash Paid to Employees	(393,710)	(452,387)	(1,323,570)	(439,019)
Other Receipts	5,726	14,937	7,292	10,276
Unrestricted Donations and Grant Receipts	30,487	17,661	-	-
Net Cash Flows Provided by Operating Activities	447,912	933,511	1,753,830	46,318
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(71,020)	(105,347)	(396,785)	(120,000)
Transfers from Other Funds	-	-	-	-
Unrestricted Donations and Grant Revenues	-	-	-	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(71,020)	(105,347)	(396,785)	(120,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(902,511)	(328,633)	(2,134,566)	-
Cash Received for Capital Assets	-	-	-	-
Proceeds from Issuance of Bonds	543,400	629,200	5,210,000	-
Principal Paid on Bonds	(107,378)	(384,096)	(404,000)	-
Interest, Paying Agent Fees	(234,473)	(282,150)	(168,615)	(1,049)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(700,962)	(365,679)	2,502,819	(1,049)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	94,872	58,923	198,540	14,382
Net Cash Flows Provided by Investing Activities	94,872	58,923	198,540	14,382
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(229,198)	521,408	4,058,404	(60,349)
Cash and Cash Equivalents - Beginning of Year	1,177,684	585,956	2,548,451	295,031
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 948,486	\$ 1,107,364	\$ 6,606,855	\$ 234,682

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Storm Sewer Utility	Totals	Governmental Activities	
		Internal Service Funds	
\$ 391,594	\$ 13,648,238	\$ 1,999,392	
(78,424)	(7,631,190)	(1,708,825)	
(136,351)	(2,745,037)	(111,435)	
202	38,433	-	
-	48,148	-	
 177,021	 3,358,592	 179,132	
 (23,258)	 (716,410)	 -	
-	-	63,873	
-	-	7,372	
 (23,258)	 (716,410)	 71,245	
 (812,431)	 (4,178,141)	 (358,494)	
295,364	295,364	-	
257,400	6,640,000	-	
(5,834)	(901,308)	(51,000)	
(97,140)	(783,427)	(12,379)	
 (362,641)	 1,072,488	 (421,873)	
 61,543	 428,260	 35,019	
 61,543	 428,260	 35,019	
 (147,335)	 4,142,930	 (136,477)	
 665,672	 5,272,794	 622,419	
 <u>\$ 518,337</u>	 <u>\$ 9,415,724</u>	 <u>\$ 485,942</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 111,097	\$ 325,433	\$ 872,598	\$ 36,675
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	195,781	428,272	919,028	23,103
Operating Grants and Miscellaneous Revenue	36,213	32,598	7,292	10,276
Deferred Outflows:				
Receivables	(65,262)	(5,718)	95,712	(103)
Due from Other Funds	(1,934)	(22,732)	(2,277)	-
Due from Other Governments	149,827	137,265	-	-
Inventories	-	-	-	3,150
Prepaid Items	(671)	(52,580)	(120,187)	(3,605)
Deferred Outflows of Resources - Pension	26,841	30,045	114,370	27,361
Deferred Outflows of Resources - OPEB	540	675	1,486	540
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	2,540	70,757	6,785	(41,611)
Accrued Salaries and Fringes	1,328	1,519	(1,650)	2,273
Due to Other Funds	1,822	174	37	172
Due to Other Governments	-	(1,499)	849	(3,368)
Unearned Revenue	-	-	2,933	-
OPEB Liability	(7,569)	(9,462)	(20,817)	(7,570)
Other Accrued Liabilities	4,725	5,111	(18,592)	-
Customer Deposits	-	-	2,760	-
Net Pension Liability	(67,391)	(75,095)	(306,042)	(66,825)
Deferred Inflows of Resources - Pension	54,706	57,179	184,917	60,531
Deferred Inflows of Resources - OPEB	5,319	11,569	14,628	5,319
Net Cash Flows Provided by Operating Activities	<u><u>\$ 447,912</u></u>	<u><u>\$ 933,511</u></u>	<u><u>\$ 1,753,830</u></u>	<u><u>\$ 46,318</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital Assets on Account	\$ 391,964	\$ 232,545	\$ 142,615	\$ -

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Storm Sewer Utility	Totals	Governmental Activities	
		Internal Service Funds	
\$ 94,420	\$ 1,440,223	\$ (177,845)	
57,960	1,624,144	381,728	
202	86,581	-	
14,000	38,629	(4,084)	
(26)	(26,969)	-	
-	287,092	(6,819)	
-	3,150	-	
(100)	(177,143)	723	
11,038	209,655	8,247	
135	3,376	135	
(1,224)	37,247	(31,092)	
1,577	5,047	10,192	
-	2,205	-	
-	(4,018)	4	
-	2,933	-	
(1,892)	(47,310)	(1,892)	
-	(8,756)	-	
-	2,760	3,685	
(27,848)	(543,201)	(21,066)	
22,157	379,490	15,886	
1,330	38,165	1,330	
<u>\$ 171,729</u>	<u>\$ 3,353,300</u>	<u>\$ 179,132</u>	

\$ 146,965 \$ 914,089 \$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

A. Financial Reporting Entity

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City 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, 2023

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) report information on all the nonfiduciary activities of 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, 2023**

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 governmental and enterprise funds, each displayed in a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds in a separate column in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the City's enterprise funds and internal service funds are charges for services to customers. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise 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, 2023**

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 leases are reported as other financing sources.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

D. 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.

E. Cash and Investments – Restricted

At December 31, 2023, restricted cash and investments are assets set aside for a debt service reserve fund required under a bond agreement.

F. Accounts Receivable and Allowance for Uncollectible Accounts

The City has an allowance for uncollectible accounts which was \$22,000 for the General Fund, \$37,000 for the Electric Fund, and \$2,000 for the aggregate remaining funds at December 31, 2023.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

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.

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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Revenue Recognition (Continued)

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

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

H. Interfund Balances

Activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds” (noncurrent portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

I. Inventories

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

J. 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.

K. 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

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

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

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to debt refunding, pensions, and other postemployment benefits. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Note 7 and 8.

In addition to liabilities, the statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Note 7 and 8. The statement of net position and the governmental funds balance sheet also report a deferred inflow of resources related to leases. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The City has reported deferred inflows of resources related to unavailable revenues for property taxes, loans, grants, and special assessments. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. 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.

P. 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.

Q. 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

T. Use of Estimates

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

U. Adoption Of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 96, Subscription-Based Information Technology Arrangements. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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.

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.

B. Deficit Fund Balance

The City has deficit fund balance at December 31, 2023 in the following funds:

	Fund Balance (Deficit)
TIF #10-1 Runnings Redevelopment	\$ (619,526)

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

C. Excess of Expenditures over Appropriations

Expenditures exceeded budget in the following funds:

	Appropriations	Expenditures	Excess
General Fund	\$ 6,812,186	\$ 6,866,824	\$ 54,638

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

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 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.

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, 2023 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Fair Value Measurements

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

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

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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The following information provides disclosures related to the City's December 31, 2023 investment balances:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy does not specifically restrict investments as to maturities.

Investments Held with Broker

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

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Agencies	\$ 4,422,931	\$ 146,239	\$ 572,198	\$ 1,613,860	\$ 2,090,634
Municipal Securities	9,052,913	1,568,749	2,795,223	2,183,809	2,505,132
Money Markets	1,275,579	1,275,579	-	-	-
External Investment Pool	6,103,740	6,103,740	-	-	-
Total	\$ 20,855,163	\$ 9,094,307	\$ 3,367,421	\$ 3,797,669	\$ 4,595,766

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	\$ 4,422,931
Municipal Securities	Aaa	1,658,719
Municipal Securities	Aa1	1,846,981
Municipal Securities	Aa2	3,316,748
Municipal Securities	Aa3	1,422,613
Municipal Securities	A1	310,847
Municipal Securities	A3	497,005
Total		\$ 13,475,844

The external investment pool and money markets are not rated.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk

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

Concentration of Credit Risk

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

Type	Amount	Percentage
Federal Home Loan Bank	\$ 2,262,370	10.8 %
Federal Farm Credit Bank Bond	1,669,597	8.0

Fair Value Measurement

City Investments are measured as follows:

	December 31, 2023	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Agencies	\$ 4,381,297	\$ -	\$ 4,381,297	\$ -
U.S. Government Agencies -				
Mortgage Backed	41,634	-	41,634	-
Municipal Bonds	9,052,913	-	9,052,913	-
Total Investments at Fair Value	\$ 13,475,844	\$ -	\$ 13,475,844	\$ -
Investments Measured at Amortized Cost:				
Money Market	\$ 1,275,579			
External Investment Pool	6,103,740			
Total Investments	\$ 20,855,163			

The City's investment with the 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is valued at amortized cost. For this investment pool, there are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fair Value Measurement (Continued)

The Limited Term Duration Fund (LTD) requires a minimum balance of \$50,000 and redemption from the LTD Fund may only be made on the third Wednesday of each month upon at least two weeks advance notice. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date, seven days' notice of redemption is required, and a penalty will likely be assessed. The penalty, which may be substantial, could include the amount necessary to recoup for the Series any penalty charges, losses and other costs attributable to the early redemption.

Financial Statement Presentation

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

	Cash and Investments	Cash and Investments - Restricted	Total
Enterprise Funds	\$ 8,558,924	\$ 856,800	\$ 9,415,724
Governmental Funds	12,410,468	-	12,410,468
Internal Service Funds	485,942	-	485,942
Total Primary Government	<u>\$ 21,455,334</u>	<u>\$ 856,800</u>	<u>\$ 22,312,134</u>
Petty Cash and Change Fund	\$ 2,870		
Investments	20,855,163		
Deposits	<u>1,454,101</u>		
Total Deposits and Investments	<u>\$ 22,312,134</u>		

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS

Governmental capital asset and right-to-use asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities, Including Internal Service Funds					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,709,157	\$ 13,296	\$ -	\$ -	\$ 2,722,453
Land Improvements	100,938	-	-	-	100,938
Construction in Progress	<u>2,471,627</u>	<u>4,212,384</u>	<u>(1,522,695)</u>	<u>-</u>	<u>5,161,316</u>
Total Capital Assets, Not Being Depreciated	5,281,722	4,225,680	(1,522,695)	-	7,984,707
Capital Assets, Being Depreciated:					
Land Improvements	2,393,031	14,614	-	-	2,407,645
Buildings	18,688,704	-	-	-	18,688,704
Infrastructure	21,289,545	1,527,795	(225,628)	-	22,591,712
Machinery and Shop Equipment	9,576,824	1,568,442	(752,027)	27,695	10,420,934
Office Equipment and Furniture	189,981	-	-	-	189,981
Library Books	<u>677,362</u>	<u>-</u>	<u>(284,247)</u>	<u>-</u>	<u>393,115</u>
Total Capital Assets, Being Depreciated	52,815,447	3,110,851	(1,261,902)	27,695	54,692,091
Accumulated Depreciation for:					
Land Improvements	(1,002,868)	(122,508)	-	-	(1,125,376)
Buildings	(8,577,754)	(503,832)	-	-	(9,081,586)
Infrastructure	(13,202,559)	(642,577)	225,628	-	(13,619,508)
Machinery and Shop Equipment	(4,662,072)	(620,319)	335,736	(27,695)	(4,974,350)
Office Equipment and Furniture	(189,981)	-	-	-	(189,981)
Library Books	<u>(677,362)</u>	<u>-</u>	<u>284,247</u>	<u>-</u>	<u>(393,115)</u>
Total Accumulated Depreciation	<u>(28,312,596)</u>	<u>(1,889,236)</u>	<u>845,611</u>	<u>(27,695)</u>	<u>(29,383,916)</u>
Total Capital Assets, Being Depreciated, Net	24,502,851	1,221,615	(416,291)	-	25,308,175
Intangible Right-to-Use Assets:					
Leased Buildings	621,480	-	-	-	621,480
Leased Equipment	6,860	-	-	-	6,860
Subscription Based Asset	<u>-</u>	<u>61,273</u>	<u>-</u>	<u>-</u>	<u>61,273</u>
Total Intangible	628,340	61,273	-	-	689,613
Right-to-Use Assets					
Accumulated Amortization for:					
Leased Buildings	(81,063)	(81,063)	-	-	(162,126)
Leased Equipment	(1,960)	(1,960)	-	-	(3,920)
Subscription Based Asset	<u>-</u>	<u>(12,255)</u>	<u>-</u>	<u>-</u>	<u>(12,255)</u>
Total Accumulated Amortization	<u>(83,023)</u>	<u>(95,278)</u>	<u>-</u>	<u>-</u>	<u>(178,301)</u>
Total Intangible Right-to-Use Assets, Net	<u>545,317</u>	<u>(34,005)</u>	<u>-</u>	<u>-</u>	<u>511,312</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,329,890</u>	<u>\$ 5,413,290</u>	<u>\$ (1,938,986)</u>	<u>\$ -</u>	<u>\$ 33,804,194</u>

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government	\$ 65,336
Public Safety	247,936
Highways and Streets	880,344
Culture and Recreation	590,121
Airport	<u>200,777</u>
Total Depreciation and Amortization Expense, Governmental Activities	<u>\$ 1,984,514</u>

Business-type capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,588,778	\$ 8,489	\$ -	\$ -	\$ 1,597,267
Construction in Progress	<u>12,413,507</u>	<u>4,168,820</u>	<u>(4,495,885)</u>	<u>-</u>	<u>12,086,442</u>
Total Capital Assets, Not Being Depreciated	14,002,285	4,177,309	(4,495,885)	-	13,683,709
Capital Assets, Being Depreciated:					
Buildings and Improvements	55,793,837	4,529,475	(30,273)	-	60,293,039
Machinery and Shop Equipment	<u>7,738,376</u>	<u>129,399</u>	<u>-</u>	<u>(27,695)</u>	<u>7,840,080</u>
Total Capital Assets, Being Depreciated	63,532,213	4,658,874	(30,273)	(27,695)	68,133,119
Accumulated Depreciation for:					
Buildings and Improvements	(24,484,379)	(1,415,032)	30,273	-	(25,869,138)
Machinery and Shop Equipment	<u>(5,869,721)</u>	<u>(193,206)</u>	<u>-</u>	<u>27,695</u>	<u>(6,035,232)</u>
Total Accumulated Depreciation	<u>(30,354,100)</u>	<u>(1,608,238)</u>	<u>30,273</u>	<u>27,695</u>	<u>(31,904,370)</u>
Total Capital Assets, Being Depreciated, Net	<u>33,178,113</u>	<u>3,050,636</u>	<u>-</u>	<u>-</u>	<u>36,228,749</u>
Business-Type Activities					
Capital Assets, Net	<u><u>\$ 47,180,398</u></u>	<u><u>\$ 7,227,945</u></u>	<u><u>\$ (4,495,885)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,912,458</u></u>

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

Business-Type Activities

Municipal Liquor Store	\$ 23,103
Water Utility	428,272
Sewer Utility	195,781
Storm Sewer Utility	57,960
Electric Utility	<u>903,122</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,608,238</u>

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 CITY INDEBTEDNESS

City indebtedness at December 31, 2023 is comprised of the following:

	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Payable December 31, 2023
Governmental Activities, Including Internal Service Funds					
General Obligation Bonds:					
Refunding Bonds - Series 2014A	2/27/14	2/1/2024	.35 - 2.50%	\$ 484,042	\$ 39,894
General Obligation Bonds -Series 2020B					
Refunding	10/1/2020	2/1/2029	.55 - 1.3%	269,181	142,163
General Obligation Bonds -Series 2021A	5/6/2021	2/1/2042	1.0 - 2.0%	1,184,810	1,060,000
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	626,000
Total Bonds and Notes				4,563,033	3,713,057
Lease Liability				628,340	474,803
Compensated Absences Payable				-	374,646
Total Governmental Activities				<u>\$ 5,191,373</u>	<u>\$ 4,562,506</u>
Business-Type Activities					
General Obligation Bonds:					
Refunding Bonds, Series 2014A					
- Water Portion	2/27/2014	2/1/2024	.35 - 2.50%	\$ 818,675	\$ 67,473
- Sewer Portion	2/27/2014	2/1/2024	.35 - 2.50%	517,283	42,633
General Obligation Bonds -Series 2020B					
Refunding					
- Water Portion	10/1/2020	2/1/2029	.55 - 1.3%	233,313	141,159
- Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	301,291	182,291
- Storm Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	50,215	30,387
General Obligation Bonds -Series 2021A					
- Water Portion	5/6/2021	2/1/2042	1.0 - 2.0%	1,143,607	1,088,864
- Sewer Portion	5/6/2021	2/1/2042	1.0 - 2.0%	531,583	506,136
General Obligation Revenue Bonds:					
Electric Revenue Refunding Bonds, Series 2013A	3/5/2013	12/1/2027	1 - 2.5%	2,065,000	610,000
Water Revenue Bonds, Series 2018A	10/1/2018	2/1/2034	3 - 3.25%	720,000	565,000
Electric Revenue Bonds, Series 2019A	11/19/2019	12/1/2031	2.35%	2,415,000	1,683,000
Electric Revenue Bonds, Series 2021B	10/5/2021	12/1/2036	1.90%	1,205,000	1,065,000
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
Utility Revenue Bonds, Series 2023A					
- Water Portion	9/1/2023	2/1/2044	3.89%	629,200	629,200
- Sewer Portion	9/1/2023	2/1/2044	3.89%	543,400	543,400
- Storm Sewer Portion	9/1/2023	2/1/2044	3.89%	257,400	257,400
Utility Revenue Bonds, Series 2023B	12/6/2023	12/1/2038	5.00%	5,210,000	5,210,000
Notes from Direct Borrowings:					
General Obligation Water Revenue Bond of 2009	11/17/2009	8/20/2039	2.936%	<u>6,526,070</u>	<u>3,874,000</u>
Total Bonds				32,817,037	26,145,943
Unamortized Bond Discount				(107,447)	(5,051)
Compensated Absences Payable				-	244,341
Total Business-Type Activities				<u>\$ 32,709,590</u>	<u>\$ 26,385,233</u>

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2023:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Governmental Activities:					
Bonds/Notes Payable:					
General Obligation Bonds	\$ 3,307,750	\$ -	\$ 220,693	\$ 3,087,057	\$ 261,894
General Obligation Notes	677,000	-	51,000	626,000	52,000
Lease Liability	552,603	-	77,800	474,803	79,917
Compensated Absences Payable	373,402	349,341	348,097	374,646	184,002
Total	4,910,755	349,341	697,590	4,562,506	577,813
Business-Type Activities:					
Bonds/Notes Payable:					
General Obligation Bonds	2,328,251	-	269,308	2,058,943	249,105
General Obligation Revenue Bonds	14,017,000	6,640,000	444,000	20,213,000	987,000
G.O. Notes from Direct Borrowings	4,062,000	-	188,000	3,874,000	193,000
Compensated Absences Payable	251,123	210,969	217,751	244,341	113,683
Unamortized Bond Discount	(6,263)	-	(1,212)	(5,051)	-
Total	20,652,111	6,850,969	1,117,847	26,385,233	1,542,788
Total Indebtedness	\$ 25,562,866	\$ 7,200,310	\$ 1,815,437	\$ 30,947,739	\$ 2,120,601

The City's outstanding notes from direct borrowings related to the Water Fund debt of \$3,874,000 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, 2023, 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, 2023

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

Description and Restrictions of Long-Term Debt

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, 2023

NOTE 5 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.

General Obligation Utility Revenue Bonds, Series 2023A – On September, 1, 2023, the City Council issued \$1,430,000 of General Obligation Utility Revenue Bonds, Series 2023A. The bond has final maturity of February 1, 2032. The outstanding balance of the bonds bears interest of 3.89% annually. The bond was issued in connection with funding utility improvements associated with the 4th Street reconstruction project.

General Obligation Utility Revenue Bonds, Series 2023B – On December 6, 2023, the City Council issued \$5,210,000 of General Obligation Utility Revenue Bonds, Series 2023B. The bond has final maturity of December 1, 2038. The outstanding balance of the bonds bears interest of 5.0% annually. The bond was issued in connection with funding underground electrical projects.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 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
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	215,000	60,495	55,000	7,306	86,955	2,676
2029-2033	840,000	239,645	295,000	20,093	59,286	467
2034-2038	495,000	151,685	62,000	589	-	-
2039-2043	560,000	54,990	-	-	-	-
Total	<u>\$ 3,087,057</u>	<u>\$ 790,367</u>	<u>\$ 626,000</u>	<u>\$ 67,528</u>	<u>\$ 474,803</u>	<u>\$ 36,432</u>

Year Ending December 31	Business-Type Activities					
	General Obligation Bonds		General Obligation Revenue Bonds		G.O. Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 249,105	\$ 27,838	\$ 987,000	\$ 749,745	\$ 193,000	\$ 113,741
2025	136,000	25,313	1,072,000	724,315	199,000	108,074
2026	110,838	24,007	1,099,000	688,225	205,000	102,232
2027	138,000	22,590	1,128,000	650,742	211,000	96,213
2028	141,000	21,098	1,011,000	611,879	217,000	90,018
2029-2033	469,000	86,857	5,082,000	2,495,266	1,183,000	350,793
2034-2038	435,000	56,974	4,844,000	1,534,204	1,368,000	166,559
2039-2043	380,000	15,500	2,745,000	721,272	298,000	8,749
2044-2048	-	-	2,245,000	222,500	-	-
Total	<u>\$ 2,058,943</u>	<u>\$ 280,177</u>	<u>\$ 20,213,000</u>	<u>\$ 8,398,148</u>	<u>\$ 3,874,000</u>	<u>\$ 1,036,379</u>

NOTE 6 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, 2023

NOTE 6 LEASES (CONTINUED)

Lessee (Continued)

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 79,917	\$ 11,615
2025	81,615	9,442
2026	82,389	7,242
2027	84,641	4,990
2028	86,955	2,676
2029	59,286	467
Total	\$ 474,803	\$ 36,432

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, 2023, the City recognized \$87,906 and \$5,123 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Principal and interest 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>
2024	\$ 57,673	\$ 3,327
2025	53,967	2,033
2026	55,299	701
2027	3,330	3
Total	\$ 170,269	\$ 6,064

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 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, 2023**

NOTE 7 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$287,973. 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, 2023

NOTE 7 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 2023 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, 2023, were \$188,415. 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, 2023, the City reported a liability of \$2,756,800 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 \$75,907.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0493% at the end of the measurement period and .0486% for the beginning of the period.

City

City's Proportionate Share of the Net Pension Liability	\$ 2,756,800
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	75,907
Total	<u>\$ 2,832,707</u>

For the year ended December 31, 2023, the City recognized pension expense of \$414,097 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$7,888 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
DECEMBER 31, 2023

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Fund Pension Costs (Continued)

At December 31, 2023, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual		
Experience	\$ 90,534	\$ 18,991
Changes in Actuarial Assumptions	446,288	755,616
Net Difference Between Projected and Actual		
Investment Earnings	-	103,095
Changes in Proportion	48,441	-
City Contributions Subsequent to the Measurement Date	143,746	-
Total	<u>\$ 729,009</u>	<u>\$ 877,702</u>

The \$143,746 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, 2024. 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>
2024	\$ 95,033
2025	(402,604)
2026	74,936
2027	(59,804)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$1,416,033 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0820% at the end of the measurement period and 0.0780% percent for the beginning of the period.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 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, 2023. 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, 2022. 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 \$57,037.

Liability	\$ 1,416,033
State of Minnesota's Proportionate Share of the	
Net Pension Liability with the City	57,037
Total	<u>\$ 1,473,070</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.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense of \$434,503 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized (\$3,435) 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 \$7,380 for the year ended December 31, 2023, 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
DECEMBER 31, 2023

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2023, 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	\$ 390,448	\$ -
Changes in Actuarial Assumptions	1,643,187	1,990,963
Net Difference Between Projected and Actual		
Investment Earnings	-	67,977
Changes in Proportion	125,761	27,439
City Contributions Subsequent to the Measurement Date	97,042	-
Total	<u>\$ 2,256,438</u>	<u>\$ 2,086,379</u>

The \$97,042 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, 2024. 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
2024	\$ 96,134
2025	25,838
2026	368,294
2027	(75,861)
2028	(341,388)

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 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	\$ 2,756,800	\$ 1,416,033	\$ -	\$ 4,172,833
Net Pension Asset	-	-	13,176	13,176
Deferred Outflows of Resources	729,009	2,256,438	162,061	3,147,508
Deferred Inflows of Resources	877,702	2,086,379	39,767	3,003,848
Pension Expense (Revenue)	414,438	431,068	54,109	899,615

E. Total Pension Expense

The total pension expense (revenue) for all plans recognized by the City for the year ended December 31, 2023, was \$914,542, which includes \$54,109 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	100.0 %	

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7.0%. 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 7.0% 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, 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 2023:

General Employee Fund

Changes in actuarial assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

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

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Actuarial Methods and Assumptions (Continued)

Police and Fire Plan

Changes in actuarial assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

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

H. Discount Rate

The discount rate used for the General Employees Plan to measure the total pension liability in 2023 was 7.0%. 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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	Current		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the General Employee Net Pension Liability	\$ 4,877,002	\$ 2,756,800	\$ 1,012,855
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the Police and Fire Net Pension Liability	\$ 2,809,579	\$ 1,416,033	\$ 270,352

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.

NOTE 8 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, 2023. 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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 2023, the City contributed \$17,275 to the plan.

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2023, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2023.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	Service graded table
Health Care Trend Rates	6.5%, decreasing to 5.0% over 6 years, then to 4.0% over next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2023, 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 4.0%. The discount rate is equal to the 20-Year AA rated Municipal Bond Yield.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.
- The salary increase rates for public safety employees were updated to reflect the latest experience study.
- The retirement and withdrawal rates for public safety employees were updated to reflect the latest experience study.

D. Changes in Total OPEB Liability

Balance as of January 1, 2023	\$ 549,426
Changes for the Year:	
Service Cost	36,111
Interest	11,482
Assumption Changes	(62,135)
Differences between Expected and Actual Experience	(81,669)
Benefit Payments	(23,012)
Net Change in Total OPEB Liability	<u>(119,223)</u>
Balance as of December 31, 2023	<u>\$ 430,203</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:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 466,243	\$ 430,203	\$ 396,607

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 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:

Medical Trend Rate	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 379,618	\$ 430,203	\$ 490,241

For the year ended December 31, 2023, the City recognized OPEB expense of (\$9,663). The OPEB liability is typically liquidated by the individual activity in which the employees costs are associated.

At December 31, 2023, 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	\$ -	\$ 200,743
Changes in Actuarial Assumptions	13,865	59,086
Benefits Paid Subsequent to the Measurement Date	17,275	-
Total	<u>\$ 31,140</u>	<u>\$ 259,829</u>

\$17,275 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, 2024.

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>
2024	\$ (57,256)
2025	(57,250)
2026	(36,973)
2027	(36,973)
2028	(36,972)
Thereafter	(20,540)

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 INTERFUND

Due To/Due From

Individual fund receivable and payable balances at December 31, 2023, are as follows:

	<u>Receivable</u>	<u>Payable</u>
	\$	\$
General Fund	-	43,506
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	1,234
Airport	-	1,061
Enterprise Funds:		
Sewer Utility	2,419	10,031
Water Utility	23,608	4,974
Electric Utility	38,353	287
Municipal Liquor Store	-	1,822
Storm Sewer Utility	395	-
Internal Service Fund:		
Central Garage	-	1,860
Total	<u><u>\$ 64,775</u></u>	<u><u>\$ 64,775</u></u>

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

Advances

Advances at December 31, 2023 are as follows:

	<u>Receivable</u>	<u>Payable</u>
	\$	\$
General Fund	619,526	-
TIF #10-1 Runnings Redevelopment Fund	-	619,526
Total	<u><u>\$ 619,526</u></u>	<u><u>\$ 619,526</u></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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 INTERFUND (CONTINUED)

Transfers

Individual fund transfers for fiscal year 2023 are as follows:

	Transfer In	Transfer Out
General Fund	\$ 682,819	\$ (121,832)
Capital Projects Fund	80,044	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Airport	20,000	(8,000)
Port Authority	-	(55,736)
Debt Service Funds:		
Ponderosa Business Park Bonds	55,736	-
Enterprise Funds:		
Sewer Utility	-	(71,020)
Water Utility	-	(105,347)
Electric Utility	-	(396,785)
Municipal Liquor Store	-	(120,000)
Storm Sewer Utility	-	(23,258)
Internal Service Funds:		
Central Garage	63,379	-
Total	<u><u>\$ 901,978</u></u>	<u><u>\$ (901,978)</u></u>

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

NOTE 10 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, the City made purchases of services and supplies from one related party business owned by a Council member totaling \$14,577.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES

Construction Commitments – As of December 31, 2023, 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, 2023:

Port Authority Fund	\$ 4,389
Airport Fund	91,697
Capital Projects Fund	2,444,326
Water Fund	401,377
Sewer Fund	845,516
Storm Sewer Fund	430,990
Electric Fund	132,781
Total Construction Commitments	<u>\$ 4,351,076</u>

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, 2023.

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, 2023

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 \$1,350,634 for the year ended December 31, 2023.

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

Beginning of the Year Liability, January 1, 2023	\$ 15,618
Incurred Claims	1,350,620
Claims Paid	<u>(1,357,290)</u>
End of the Year Liability, December 31, 2023	<u>\$ 8,948</u>
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>

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, 2023**

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, 2023, membership includes 31 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 \$3,450 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 \$3,450 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, 2023

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 \$55,876 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. There was no statutorily required contribution to the plan for the year ended December 31, 2023.

D. Pension Costs

At December 31, 2023, the City reported an asset of \$13,176 for the Association's net pension asset. The net pension asset was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2023.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$54,109 for the year ended December 31, 2023. At December 31, 2023, 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	\$ 2,983	\$ 23,957
Changes in Actuarial Assumptions	13,975	15,810
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	145,103	-
Total	\$ 162,061	\$ 39,767

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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>
2024	\$ 8,822
2025	33,295
2026	42,740
2027	44,862
2028	(4,521)
Thereafter	(2,904)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/23
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	5.75%
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.

The current year discount rate is 5.75% which is a change from the prior year rate of 5.00%. The benefit level changed from \$3,300 to \$3,450.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023 are summarized in the following table:

<u>Asset Class</u>	Allocation at January 1, 2023	Long-Term Expected Real Rate of Return
Cash	10.0 %	2.00 %
Fixed Income	39.0	3.90
Equities	51.0	8.10
Total Portfolio	<u>100.0 %</u>	<u>5.75 %</u>

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. 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 selected discount rate of 5.75%, as well as what the Association's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current rate:

	1 Percent Decrease	Selected Discount Rate	1 Percent Increase
Net Pension Asset	\$ 12,437	\$ (13,176)	\$ (38,085)
Discount Rate	4.75 %	5.75 %	6.75 %

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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2022</u>	<u>Measurement Date</u>
Total Pension Liability		
Service Cost	\$ 51,526	
Interest	57,469	
Changes of Assumptions	(18,446)	
Plan Changes	36,458	
Gain or Loss	3,481	
Net Change in Total Pension Liability	<u>130,488</u>	
Total Pension Liability - Beginning of Year	<u>1,097,845</u>	
Total Pension Liability - End of Year (a)	<u>1,228,333</u>	
 Plan Fiduciary Net Position		
Nonemployer Contributions	50,639	
Net Investment Income	69,672	
Gain or Loss	(246,919)	
Net Change in Fiduciary Net Position	<u>(126,608)</u>	
 Fiduciary Net Position - Beginning of Year	<u>1,368,117</u>	
Fiduciary Net Position - End of Year (b)	<u>1,241,509</u>	
 Association's Net Pension Asset - End of Year (a) - (b)	<u>\$ (13,176)</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, 2023 is as follows:

Enterprise	Purpose	Balance at December 31, 2023
Country Village	Construction of a Facility	\$ 582,003

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023 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, 2023, the City paid excess tax increment in the amount of \$72,397. 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, 2023. 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 \$44,761 for the year ending December 31, 2023.

- 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 \$4,579.
- 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, 2023.
- 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, 2023. The first abatement levy is anticipated to be made for taxes payable 2024.

As of December 31, 2023, 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, 2023	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
Total OPEB Liability						
Service Cost	\$ 36,111	\$ 54,008	\$ 52,435	\$ 38,477	\$ 37,356	\$ 45,642
Interest	11,482	10,927	23,583	21,697	22,417	21,402
Assumption Changes	(62,135)	-	22,183	-	(20,396)	-
Difference between Expected and Actual Experience	(81,669)	-	(153,616)	-	(121,579)	-
Benefit Payments	(23,012)	(15,464)	(25,338)	(23,697)	(30,801)	(25,251)
Net Change in Total OPEB Liability	(119,223)	49,471	(80,753)	36,477	(113,003)	41,793
Total OPEB Liability - Beginning	549,426	499,955	580,708	544,231	657,234	615,441
Total OPEB Liability - Ending	\$ 430,203	\$ 549,426	\$ 499,955	\$ 580,708	\$ 544,231	\$ 657,234
Covered Employee Payroll	\$ 4,390,369	\$ 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	10%	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 June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021
City - General Employee Plan			
City's Proportion of the Net Pension Liability	0.0493%	0.0486%	0.0486%
City's Proportionate Share of the Net Pension Liability	\$ 2,756,801	\$ 3,849,135	\$ 2,075,438
State's Proportionate Share of the Net Pension Liability Associated with the City	75,907	113,015	63,400
City's Total Net Pension Liability - General Employee Plan	2,832,708	3,962,150	2,138,838
City's Covered Payroll	3,917,354	3,646,239	3,503,864
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	70.37%	105.56%	59.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%
City - Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0820%	0.0780%	0.0742%
City's Proportionate Share of the Net Pension Liability	\$ 1,416,033	\$ 3,394,252	\$ 572,745
State's Proportionate Share of the Net Pension Liability Associated with the City	57,037	148,280	25,737
City's Total Net Pension Liability - General Employee Plan	1,473,070	3,542,532	598,482
City's Covered Payroll	1,077,205	947,114	876,895
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.45%	358.38%	65.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.50%	70.50%	93.66%

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, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| 0.0475% | 0.0492% | 0.0531% | 0.0536% | 0.0536% | 0.0534% |
| \$ 2,847,842 | \$ 2,720,158 | \$ 2,945,770 | \$ 3,421,789 | \$ 4,352,054 | \$ 2,767,466 |
| 87,701 | 84,496 | 96,729 | 43,005 | 56,839 | - |
| 2,935,543 | 2,804,654 | 3,042,499 | 3,464,794 | 4,408,893 | 2,767,466 |
| 3,385,893 | 3,480,782 | 3,576,608 | 3,455,396 | 3,329,013 | 3,140,523 |
| 84.11% | 78.15% | 82.36% | 99.03% | 130.73% | 88.12% |
| 79.06% | 80.20% | 79.50% | 75.90% | 68.90% | 78.20% |
| 0.0722% | 0.0770% | 0.0687% | 0.0740% | 0.0780% | 0.0770% |
| \$ 951,673 | \$ 819,742 | \$ 732,271 | \$ 999,088 | \$ 3,130,276 | \$ 874,900 |
| 22,419 | - | - | - | - | - |
| 974,092 | 819,742 | 732,271 | 999,088 | 3,130,276 | 874,900 |
| 815,918 | 812,177 | 724,646 | 761,498 | 748,809 | 702,076 |
| 116.64% | 100.93% | 101.05% | 131.20% | 418.03% | 124.62% |
| 87.19% | 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

	2023	2022	2021	2020
City - General Employee Plan				
Statutorily Required Contribution	\$ 287,973	\$ 279,257	\$ 268,390	\$ 265,431
Contributions in Relation to the Statutorily Required Contribution	<u>(287,973)</u>	<u>(279,257)</u>	<u>(268,390)</u>	<u>(265,431)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,839,640	\$ 3,723,427	\$ 3,578,533	\$ 3,539,080
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
Police and Fire Plan				
Statutorily Required Contribution	\$ 188,415	\$ 175,026	\$ 163,727	\$ 152,265
Contributions in Relation to the Statutorily Required Contribution	<u>(188,415)</u>	<u>(175,026)</u>	<u>(163,727)</u>	<u>(152,265)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,064,492	\$ 988,847	\$ 925,009	\$ 860,254
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%
Fire Relief Association				
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years 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
<u>(256,110)</u>	<u>(265,811)</u>	<u>(265,404)</u>	<u>(254,391)</u>	<u>(242,627)</u>	<u>(224,719)</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
<u>(140,334)</u>	<u>(122,905)</u>	<u>(122,382)</u>	<u>(122,796)</u>	<u>(117,065)</u>	<u>(106,258)</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
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,081)</u>	<u>(23,580)</u>
<u>\$ -</u>					
N/A	N/A	N/A	N/A	N/A	N/A

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

	December 31, 2022 Measurement Date	December 31, 2021 Measurement Date	December 31, 2020 Measurement Date
Total Pension Liability			
Service Cost	\$ 51,526	\$ 47,222	\$ 43,185
Interest	57,469	49,918	53,768
Changes of Assumptions	(18,446)	-	16,369
Plan Changes	36,458	-	-
Changes of Benefit Terms	-	49,570	-
Benefit Payments, Including Member Contribution Refunds	-	-	(61,659)
Gain or Loss	3,481	-	(23,264)
Net Change in Total Pension Liability	130,488	146,710	28,399
Total Pension Liability - Beginning of Year	1,097,845	951,135	922,736
Total Pension Liability - End of Year (a)	1,228,333	1,097,845	951,135
Plan Fiduciary Net Position			
Municipal Contributions	-	-	33,000
Nonemployer Contributions	50,639	49,348	48,968
Net Investment Income	69,672	63,253	64,325
Gain or Loss	(246,919)	15,133	47,212
Benefit Payments	-	-	(61,659)
Net Change in Fiduciary Net Position	(126,608)	127,734	131,846
Fiduciary Net Position - Beginning of Year	1,368,117	1,240,383	1,108,537
Fiduciary Net Position - End of Year (b)	1,241,509	1,368,117	1,240,383
Association's Net Pension Asset - End of Year (a) - (b)	\$ (13,176)	\$ (270,272)	\$ (289,248)
Fiduciary Net Position as a Percentage of the Total Pension Liability	101.07%	124.62%	130.41%
Covered Payroll	N/A	N/A	N/A
Net Pension Asset 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
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

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES				
Taxes:				
Current and Delinquent Property Tax	\$ 2,755,591	\$ 2,755,591	\$ 2,759,732	\$ 4,141
Franchise Tax	168,200	168,200	222,615	54,415
Hotel/Motel Tax	35,000	35,000	54,910	19,910
Total Taxes	<u>2,958,791</u>	<u>2,958,791</u>	3,037,257	78,466
Intergovernmental:				
Local Government Aid	1,764,547	1,764,547	1,764,852	305
Public Safety	170,000	170,000	436,288	266,288
Highway	85,000	85,000	91,341	6,341
Total Intergovernmental	<u>2,019,547</u>	<u>2,019,547</u>	2,292,481	272,934
Charges for Services:				
Fire Protection	95,940	95,940	92,840	(3,100)
Swimming Pool Fees and Concessions	163,000	163,000	173,464	10,464
Park Fees	73,350	73,350	87,787	14,437
Administration Fees	450	450	390	(60)
Miscellaneous General Government Charges for Service	19,140	19,140	22,275	3,135
Recreation Fees	81,000	81,000	152,153	71,153
Community Center	455,850	455,850	474,923	19,073
Total Charges for Services	<u>888,730</u>	<u>888,730</u>	1,003,832	115,102
Fees, Licenses, and Permits:				
Business	26,825	26,825	34,246	7,421
Nonbusiness	95,650	95,650	66,203	(29,447)
Total Fees, Licenses, and Permits	<u>122,475</u>	<u>122,475</u>	100,449	(22,026)
Fines and Forfeits	39,000	39,000	24,836	(14,164)
Investment Earnings	93,700	93,700	321,567	227,867
Miscellaneous	101,500	101,500	81,072	(20,428)
Contributions	11,500	11,500	10,303	(1,197)
 Total Revenues	 6,235,243	 6,235,243	 6,871,797	 636,554

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES				
General Government:				
Mayor and Council:				
Current:				
Personal Services	\$ 32,083	\$ 32,083	\$ 32,076	\$ (7)
Materials and Supplies	325	325	3,730	3,405
Other Services and Charges	1,445	1,445	862	(583)
Total Mayor and Council	<u>33,853</u>	<u>33,853</u>	36,668	2,815
City Administration:				
Current:				
Personal Services	215,462	215,462	215,862	400
Materials and Supplies	4,700	4,700	3,640	(1,060)
Other Services and Charges	60,347	60,347	46,007	(14,340)
Total City Administration	<u>280,509</u>	<u>280,509</u>	265,509	(15,000)
Elections:				
Current:				
Materials and Supplies	-	-	9	9
Other Services and Charges	-	-	(14)	(14)
Total Elections	<u>-</u>	<u>-</u>	(5)	(5)
Finance Department:				
Current:				
Personal Services	262,702	262,702	262,172	(530)
Materials and Supplies	8,500	8,500	8,774	274
Other Services and Charges	114,314	114,314	120,172	5,858
Total Finance Department	<u>385,516</u>	<u>385,516</u>	391,118	5,602
Management Information Systems:				
Current:				
Materials and Supplies	80,300	80,300	29,987	(50,313)
Other Services and Charges	247,970	247,970	265,851	17,881
Capital Outlay	-	-	22,247	22,247
Total Management Information Systems	<u>328,270</u>	<u>328,270</u>	318,085	(10,185)
Legal:				
Current:				
Personal Services	117,919	117,919	117,370	(549)
Materials and Supplies	600	600	162	(438)
Other Services and Charges	9,350	9,350	7,875	(1,475)
Total Legal	<u>127,869</u>	<u>127,869</u>	125,407	(2,462)

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
General Government (Continued):				
Buildings and Grounds:				
Current:				
Personal Services	\$ 19,898	\$ 19,898	\$ 11,170	\$ (8,728)
Materials and Supplies	500	500	-	(500)
Other Services and Charges	20	20	16	(4)
Total Buildings and Grounds	<u>20,418</u>	<u>20,418</u>	<u>11,186</u>	<u>(9,232)</u>
Total General Government	1,176,435	1,176,435	1,147,968	(28,467)
Public Safety:				
Police:				
Current:				
Personal Services	1,711,532	1,711,532	1,867,531	155,999
Materials and Supplies	83,700	83,700	56,949	(26,751)
Other Services and Charges	260,840	260,840	219,749	(41,091)
Capital Outlay	900	900	-	(900)
Total Police	<u>2,056,972</u>	<u>2,056,972</u>	<u>2,144,229</u>	<u>87,257</u>
Fire Department:				
Current:				
Personal Services	68,402	68,402	75,317	6,915
Materials and Supplies	40,000	40,000	37,285	(2,715)
Other Services and Charges	134,250	134,250	107,093	(27,157)
Capital Outlay	-	-	5,062	5,062
Total Fire Department	<u>242,652</u>	<u>242,652</u>	<u>224,757</u>	<u>(17,895)</u>
Protective Inspections:				
Current:				
Personal Services	101,653	101,653	101,935	282
Materials and Supplies	1,300	1,300	1,189	(111)
Other Services and Charges	12,094	12,094	27,996	15,902
Total Protective Inspections	<u>115,047</u>	<u>115,047</u>	<u>131,120</u>	<u>16,073</u>
Total Public Safety	2,414,671	2,414,671	2,500,106	85,435

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
Highways and Streets:				
Public Works Project Coordinator:				
Current:				
Personal Services	\$ 34,611	\$ 34,611	\$ 34,377	\$ (234)
Materials and Supplies	1,500	1,500	340	(1,160)
Other Services and Charges	4,544	4,544	3,838	(706)
Total Engineering	<u>40,655</u>	<u>40,655</u>	<u>38,555</u>	<u>(2,100)</u>
Streets and Alleys:				
Current:				
Personal Services	374,567	374,567	345,234	(29,333)
Materials and Supplies	208,600	208,600	245,552	36,952
Other Services and Charges	583,037	583,037	571,386	(11,651)
Total Streets and Alleys	<u>1,166,204</u>	<u>1,166,204</u>	<u>1,162,172</u>	<u>(4,032)</u>
Total Highways and Streets	<u>1,206,859</u>	<u>1,206,859</u>	<u>1,200,727</u>	<u>(6,132)</u>
Culture and Recreation:				
Parks and Recreation:				
Current:				
Personal Services	986,766	986,766	943,251	(43,515)
Materials and Supplies	98,000	98,000	103,349	5,349
Other Services and Charges	593,109	593,109	605,360	12,251
Capital Outlay	-	-	3,791	3,791
Total Parks and Recreation	<u>1,677,875</u>	<u>1,677,875</u>	<u>1,655,751</u>	<u>(22,124)</u>
Pool:				
Current:				
Personal Services	141,786	141,786	120,075	(21,711)
Materials and Supplies	44,300	44,300	49,839	5,539
Other Services and Charges	62,825	62,825	34,899	(27,926)
Total Pool	<u>248,911</u>	<u>248,911</u>	<u>204,813</u>	<u>(44,098)</u>
Total Culture and Recreation	<u>1,926,786</u>	<u>1,926,786</u>	<u>1,860,564</u>	<u>(66,222)</u>
Economic Development:				
Current:				
Other Services and Charges	87,435	87,435	65,926	(21,509)

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
Debt Service:				
Current:				
Principal	\$ -	\$ -	\$ 77,800	\$ 77,800
Interest	- -	- -	13,733	13,733
Total Debt Service	- -	- -	91,533	91,533
Total Expenditures	<u>6,812,186</u>	<u>6,812,186</u>	6,866,824	54,638
REVENUES (UNDER) EXPENDITURES				
	(576,943)	(576,943)	4,973	581,916
OTHER FINANCING SOURCES (USES)				
Transfers In	682,819	682,819	682,819	-
Transfers Out	(49,788)	(49,788)	(121,832)	(72,044)
Total Other Financing Sources (Uses)	<u>633,031</u>	<u>633,031</u>	560,987	(72,044)
CHANGE IN FUND BALANCE				
	<u><u>\$ 56,088</u></u>	<u><u>\$ 56,088</u></u>	565,960	<u><u>\$ 509,872</u></u>
Fund Balance - Beginning of Year			5,594,966	
FUND BALANCE - END OF YEAR				
			<u><u>\$ 6,160,926</u></u>	

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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 general fund by \$54,638.

	Appropriations	Expenditures	Excess
	\$ 6,812,186	\$ 6,866,824	\$ 54,638
General Fund			

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

A. General Employees Fund (Continued)

2023 Changes (Continued)

Changes in Plan Provisions

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

2022 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.

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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

- 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.
- 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

A. General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

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

2017 Changes

Changes in Actuarial Assumptions

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

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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

A. General Employees 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 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.

B. Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

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

2022 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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

B. Police and Fire 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 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 morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

B. Police and Fire Fund (Continued)

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

B. Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

2023 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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.
- The salary increase rates for public safety employees were updated to reflect the latest experience study.
- The retirement and withdrawal rates for public safety employees were updated to reflect the latest experience study.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

2020 Changes

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

COMBINING FUND FINANCIAL STATEMENTS

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Special Revenue		
	Library	Airport	Port Authority
	Assets		
Cash and Investments	\$ 330,744	\$ 60,650	\$ 146,042
Accounts Receivable, Net	3,969	6,221	-
Property Taxes Receivable	11,327	-	1,917
Accrued Interest Receivable	500	-	-
Due from Other Governments	-	15,171	-
Prepaid Items	3,685	52,379	1,115
Property Held for Resale	-	-	2,537,648
Notes Receivable	-	-	-
Lease Receivable	-	170,269	-
Total Assets	\$ 350,225	\$ 304,690	\$ 2,686,722
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 4,272	\$ 2,293	\$ 79
Contracts Payable	-	-	2,194
Accrued Salaries and Fringes	6,400	1,456	926
Advances from Other Funds	-	-	-
Due to Other Funds	1,234	1,061	-
Due to Other Governments	23	-	-
Deposits Payable	-	-	11,000
Unearned Revenue	-	9,063	-
Total Liabilities	11,929	13,873	14,199
DEFERRED INFLOWS OF RESOURCES			
Lease Related	-	156,052	-
Unavailable Revenue - Taxes and Specials	8,111	-	1,324
Unavailable Revenue - Notes	-	-	-
Unavailable Revenue - Grants and Other	1,500	15,171	-
Total Deferred Inflows of Resources	9,611	171,223	1,324
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid Items	3,685	52,379	1,115
Property Held for Resale	-	-	2,537,648
Assigned to:			
Airport Projects	-	-	-
Restricted For:			
Debt Service	-	-	-
Port Authority	-	-	132,436
Library	325,000	-	-
Revolving Loans	-	-	-
Committed	-	67,215	-
Unassigned	-	-	-
Total Fund Balances (Deficit)	328,685	119,594	2,671,199
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 350,225	\$ 304,690	\$ 2,686,722

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2023

Special Revenue (Continued)					
Revolving Loan	Downtown Loan Program	TIF #10-1 Runnings Redevelopment	Fire Equipment Replacement	Special Revenue Subtotal	
\$ 323,338	\$ 47,290	\$ -	\$ 403,180	\$ 1,311,244	
-	-	-	-	10,190	
-	-	-	2,983	16,227	
2,395	149	-	-	3,044	
-	24,647	-	25,808	65,626	
-	-	-	69	57,248	
-	-	-	-	2,537,648	
285,000	123,351	-	-	408,351	
-	-	-	-	170,269	
\$ 610,733	\$ 195,437	\$ -	\$ 432,040	\$ 4,579,847	
\$ -	\$ 24,647	\$ -	\$ 33,762	\$ 65,053	
-	-	-	-	2,194	
-	-	-	-	8,782	
-	-	619,526	-	619,526	
-	-	-	-	2,295	
-	-	-	-	23	
-	-	-	-	11,000	
-	-	-	54,994	64,057	
-	24,647	619,526	88,756	772,930	
-	-	-	-	156,052	
-	-	-	1,817	11,252	
-	123,351	-	-	123,351	
-	-	-	-	16,671	
-	123,351	-	1,817	307,326	
-	-	-	69	57,248	
-	-	-	-	2,537,648	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	132,436	
-	-	-	-	325,000	
610,733	47,439	-	-	658,172	
-	-	-	341,398	408,613	
-	-	(619,526)	-	(619,526)	
610,733	47,439	(619,526)	341,467	3,499,591	
\$ 610,733	\$ 195,437	\$ -	\$ 432,040	\$ 4,579,847	

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2023

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Drew Street Bonds
ASSETS			
Cash and Investments	\$ 40,403	\$ 2,811	\$ 27,401
Accounts Receivable	-	-	-
Property Taxes Receivable	2,068	-	1,688
Accrued Interest Receivable	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	12	-	-
Property Held for Resale	-	-	-
Notes Receivable	-	-	-
Lease Receivable	-	-	-
Total Assets	\$ 42,483	\$ 2,811	\$ 29,089
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Contracts Payable	-	-	-
Accrued Salaries and Fringes	-	-	-
Advances from Other Funds	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Deposits Payable	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Lease Related	-	-	-
Unavailable Revenue - Taxes	1,343	-	848
Unavailable Revenue - Notes	-	-	-
Unavailable Revenue - Grants	-	-	-
Total Deferred Inflows of Resources	1,343	-	848
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid Items	12	-	-
Property Held for Resale	-	-	-
Assigned to:			
Airport Projects	-	-	-
Restricted For:			
Debt Service	41,128	2,811	28,241
Port Authority	-	-	-
Library	-	-	-
Revolving Loans	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Total Fund Balances (Deficit)	41,140	2,811	28,241
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 42,483	\$ 2,811	\$ 29,089

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2023

<u>Capital Projects</u>			
Debt Service Subtotal	Airport Project	Total	
\$ 70,615	\$ 61,798	\$ 1,443,657	
-	-	10,190	
3,756	-	19,983	
-	-	3,044	
-	111,816	177,442	
12	-	57,260	
-	-	2,537,648	
-	-	408,351	
-	-	170,269	
\$ 74,383	\$ 173,614	\$ 4,827,844	
\$ -	\$ -	\$ 65,053	
-	6,303	8,497	
-	-	8,782	
-	-	619,526	
-	-	2,295	
-	-	23	
-	-	11,000	
-	-	64,057	
-	6,303	779,233	
-	-	156,052	
2,191	-	13,443	
-	-	123,351	
-	111,816	128,487	
2,191	111,816	421,333	
12	-	57,260	
-	-	2,537,648	
-	55,495	55,495	
72,180	-	72,180	
-	-	132,436	
-	-	325,000	
-	-	658,172	
-	-	408,613	
-	-	(619,526)	
72,192	55,495	3,627,278	
\$ 74,383	\$ 173,614	\$ 4,827,844	

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	Special Revenue		
	Library	Airport	Port Authority
	\$	\$	\$
REVENUES			
Local Tax Levies	\$ 389,552	\$ -	\$ 85,250
Intergovernmental	40,679	86,855	-
Charges for Services	4,952	342,931	44,290
Fines and Forfeits	3,761	-	-
Investment Earnings	18,105	7,044	9,923
Contributions	9,454	-	-
Miscellaneous	2,188	2,413	154
Total Revenues	<u>468,691</u>	<u>439,243</u>	<u>139,617</u>
EXPENDITURES			
Current:			
Public Safety	-	-	-
Culture and Recreation	459,974	-	-
Economic Development	-	-	81,128
Airport	-	398,568	-
Capital Outlay	-	-	9,505
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Fiscal Agent Fees	-	-	-
Total Expenditures	<u>459,974</u>	<u>398,568</u>	<u>90,633</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES			
	8,717	40,675	48,984
OTHER FINANCING SOURCES (USES)			
Transfers In	-	20,000	-
Transfers Out	-	(8,000)	(55,736)
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,000</u>	<u>(55,736)</u>
CHANGE IN FUND BALANCES			
	8,717	52,675	(6,752)
Fund Balances (Deficit) - Beginning of Year	<u>319,968</u>	<u>66,919</u>	<u>2,677,951</u>
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 328,685	\$ 119,594	\$ 2,671,199

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Special Revenue (Continued)					
Revolving Loan	Downtown Loan Program	TIF #10-1 Runnings Redevelopment	Fire Equipment Replacement	Special Revenue Subtotal	
\$ -	\$ -	\$ 72,397	\$ 147,732	\$ 694,931	
-	82,147	-	52,358	262,039	
-	-	-	-	392,173	
-	-	-	-	3,761	
30,924	3,039	-	22,120	91,155	
-	-	-	2,000	11,454	
-	5,326	-	-	10,081	
30,924	90,512	72,397	224,210	1,465,594	
-	-	-	45,002	45,002	
-	-	-	-	459,974	
124	82,157	353	-	163,762	
-	-	-	-	398,568	
-	-	-	65,121	74,626	
-	-	-	124,810	124,810	
-	-	19,762	11,520	31,282	
-	-	-	331	331	
124	82,157	20,115	246,784	1,298,355	
30,800	8,355	52,282	(22,574)	167,239	
-	-	-	-	20,000	
-	-	-	-	(63,736)	
-	-	-	-	(43,736)	
30,800	8,355	52,282	(22,574)	123,503	
579,933	39,084	(671,808)	364,041	3,376,088	
\$ 610,733	\$ 47,439	\$ (619,526)	\$ 341,467	\$ 3,499,591	

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Drew Street Bonds
REVENUES			
Local Tax Levies	\$ 90,706	\$ -	\$ 106,012
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Investment Earnings	158	-	-
Contributions	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>90,864</u>	<u>-</u>	<u>106,012</u>
EXPENDITURES			
Current:			
Public Safety	-	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	-
Airport	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	43,883	52,000	-
Interest	1,502	925	77,613
Fiscal Agent Fees	225	-	158
Total Expenditures	<u>45,610</u>	<u>52,925</u>	<u>77,771</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	45,254	(52,925)	28,241
OTHER FINANCING SOURCES (USES)			
Transfers In	-	55,736	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>55,736</u>	<u>-</u>
CHANGE IN FUND BALANCES	45,254	2,811	28,241
Fund Balances (Deficit) - Beginning of Year	<u>(4,114)</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u><u>\$ 41,140</u></u>	<u><u>\$ 2,811</u></u>	<u><u>\$ 28,241</u></u>

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

		<u>Capital Projects</u>	
Debt Service Subtotal		Airport Project	Total
\$ 196,718		\$ -	\$ 891,649
-		3,001	265,040
-		-	392,173
-		-	3,761
158		7,036	98,349
-		-	11,454
-		-	10,081
<u>196,876</u>		<u>10,037</u>	<u>1,672,507</u>
-		-	45,002
-		-	459,974
-		-	163,762
-	73,114		471,682
-	2,502		77,128
95,883		-	220,693
80,040		-	111,322
383		-	714
<u>176,306</u>		<u>75,616</u>	<u>1,550,277</u>
20,570		(65,579)	122,230
55,736		-	75,736
-		-	(63,736)
<u>55,736</u>		<u>-</u>	<u>12,000</u>
76,306		(65,579)	134,230
(4,114)		121,074	3,493,048
<u>\$ 72,192</u>		<u>\$ 55,495</u>	<u>\$ 3,627,278</u>

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF NET POSITION — INTERNAL SERVICE FUNDS
DECEMBER 31, 2023

	Central Garage Fund	Self- Insurance Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 428,226	\$ 57,716	\$ 485,942
Accounts Receivable, Net	-	32,144	32,144
Due from Other Governmental Units	7,372	-	7,372
Prepaid Items	4,488	-	4,488
Total Current Assets	<u>440,086</u>	<u>89,860</u>	<u>529,946</u>
CAPITAL ASSETS			
Land	51,900	-	51,900
Buildings and Improvements	1,395,395	-	1,395,395
Machinery and Equipment	4,857,281	-	4,857,281
Total Capital Assets	<u>6,304,576</u>	<u>-</u>	6,304,576
Less: Accumulated Depreciation	(2,795,888)	-	(2,795,888)
Net Capital Assets	<u>3,508,688</u>	<u>-</u>	<u>3,508,688</u>
Total Assets	<u>3,948,774</u>	<u>89,860</u>	<u>4,038,634</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	14,572	-	14,572
Other Postemployment Benefits Related	485	-	485
Total Deferred Outflows of Resources	<u>15,057</u>	<u>-</u>	<u>15,057</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	7,014	8,948	15,962
Due to Other Funds	1,860	-	1,860
Due to Other Governments	4	-	4
Customer Deposits	3,685	-	3,685
Accrued Salaries and Fringes	9,929	-	9,929
Accrued Interest Payable	4,945	-	4,945
Current Portion of Compensated Absences	7,199	-	7,199
Current Portion of Other Postemployment Benefits			
Liability	269	-	269
Current Portion of Bonds Payable	<u>52,000</u>	<u>-</u>	<u>52,000</u>
Total Current Liabilities	<u>86,905</u>	<u>8,948</u>	<u>95,853</u>
NONCURRENT LIABILITIES			
Compensated Absences	9,969	-	9,969
Other Postemployment Benefits Liability	3,962	-	3,962
Net Pension Liability	55,108	-	55,108
Bonds Payable - Long-Term	<u>574,000</u>	<u>-</u>	<u>574,000</u>
Total Noncurrent Liabilities	<u>643,039</u>	<u>-</u>	<u>643,039</u>
Total Liabilities	<u>729,944</u>	<u>8,948</u>	<u>738,892</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	17,546	-	17,546
Other Postemployment Benefits Related	4,139	-	4,139
Total Deferred Inflows of Resources	<u>21,685</u>	<u>-</u>	<u>21,685</u>
NET POSITION			
Net Investment in Capital Assets	2,882,688	-	2,882,688
Unrestricted	329,514	80,912	410,426
Total Net Position	<u>\$ 3,212,202</u>	<u>\$ 80,912</u>	<u>\$ 3,293,114</u>

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2023

	Central Garage Fund	Self- Insurance Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 675,498	\$ 1,329,178	\$ 2,004,676
Miscellaneous	1,934	-	1,934
Total Operating Revenues	<u>677,432</u>	<u>1,329,178</u>	<u>2,006,610</u>
OPERATING EXPENSES			
Personnel Services	119,735	-	119,735
Professional Services	56,429	-	56,429
Supplies	273,856	-	273,856
Depreciation	381,728	-	381,728
Benefits or Claims	-	1,350,634	1,350,634
Miscellaneous	2,073	-	2,073
Total Operating Expenses	<u>833,821</u>	<u>1,350,634</u>	<u>2,184,455</u>
OPERATING LOSS	(156,389)	(21,456)	(177,845)
OTHER INCOME (EXPENSE)			
Intergovernmental Revenues	7,372	-	7,372
Investment Earnings	31,080	3,824	34,904
Interest Expense	(11,976)	-	(11,976)
Gain on Sale of Capital Assets	137,139	-	137,139
Total Other Income	<u>163,615</u>	<u>3,824</u>	<u>167,439</u>
INCOME (LOSS) BEFORE TRANSFERS	7,226	(17,632)	(10,406)
Transfers In	<u>63,379</u>	<u>-</u>	<u>63,379</u>
CHANGE IN NET POSITION	70,605	(17,632)	52,973
Net Position - Beginning of Year	<u>3,141,597</u>	<u>98,544</u>	<u>3,240,141</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,212,202</u></u>	<u><u>\$ 80,912</u></u>	<u><u>\$ 3,293,114</u></u>

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS — INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2023

	Central Garage Fund	Self- Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 674,298	\$ 1,325,094	\$ 1,999,392
Cash Paid to Suppliers	(351,521)	(1,357,304)	(1,708,825)
Cash Paid to Employees	(111,435)	-	(111,435)
Net Cash Flows Provided (Used) by Operating Activities	211,342	(32,210)	179,132
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	63,873	-	63,873
Intergovernmental Revenue	7,372	-	7,372
Net Cash Flows Provided by Noncapital Financing Activities	71,245	-	71,245
CASH FLOWS FROM CAPITAL AND RELATED			
Purchase of Capital Assets	(358,494)	-	(358,494)
Principal Paid on Bonds	(51,000)	-	(51,000)
Interest, Paying Agent Fees	(12,379)	-	(12,379)
Net Cash Flows Used by Capital and Related Financing Activities	(421,873)	-	(421,873)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	31,195	3,824	35,019
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents - Beginning of Year	536,317	86,102	622,419
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 428,226	\$ 57,716	\$ 485,942
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating (Loss)	\$ (156,389)	\$ (21,456)	\$ (177,845)
Adjustments to Reconcile Operating (Loss) to Net Cash Flows Provided by Operating Activities:			
Depreciation	381,728	-	381,728
(Increase) Decrease in Assets and Deferred Outflows:			
Receivables	-	(4,084)	(4,084)
Due from Other Governments	(6,819)	-	(6,819)
Prepaid Items	723	-	723
Deferred Outflows - Pension	8,247	-	8,247
Deferred Outflows - OPEB	135	-	135
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(24,422)	(6,670)	(31,092)
Due to Other Governments	4	-	4
Customer Deposits	3,685	-	3,685
Other Accrued Liabilities	10,192	-	10,192
Net Pension Liability	(21,066)	-	(21,066)
OPEB Liability	(1,892)	-	(1,892)
Deferred Inflows - Pension	15,886	-	15,886
Deferred Inflows - OPEB	1,330	-	1,330
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 211,342</u>	<u>\$ (32,210)</u>	<u>\$ 179,132</u>



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