

CITY OF REDWOOD FALLS, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

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

INTRODUCTORY SECTION	
CITY OFFICIALS	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	14
STATEMENT OF ACTIVITIES	15
BALANCE SHEET — GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION	18
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS	19
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES — GOVERNMENTAL FUNDS	20
STATEMENT OF NET POSITION — PROPRIETARY FUNDS	21
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — PROPRIETARY FUNDS	25
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS	27
STATEMENT OF FIDUCIARY NET POSITION – PACE CUSTODIAL FUND	31
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PACE CUSTODIAL FUND	32
NOTES TO BASIC FINANCIAL STATEMENTS	33
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES	82
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	83
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS	85
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS – REDWOOD FALLS FIRE RELIEF ASSOCIATION	87
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND	89

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	94
SUPPLEMENTARY INFORMATION	
COMBINING FUND FINANCIAL STATEMENTS	
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS	106
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS	110
COMBINING STATEMENT OF NET POSITION — INTERNAL SERVICE FUNDS	114
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — INTERNAL SERVICE FUNDS	115
COMBINING STATEMENT OF CASH FLOWS — INTERNAL SERVICE FUNDS	115

INTRODUCTORY SECTION

**CITY OF REDWOOD FALLS, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2024**

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

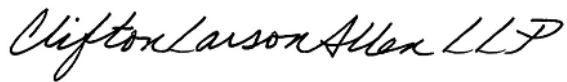
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information,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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Alexandria, Minnesota
June 10, 2025

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

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, 2024. 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 \$78,697,905. Of this amount \$15,956,208 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 \$3,849,922, over 2023.
- The City's governmental funds reported combined ending fund balances of \$14,548,699. Of this total amount, \$4,815,975 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 \$5,383,760 or 72% 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, 2024**

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' three kinds of funds – governmental, proprietary and custodial – 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.

Custodial Funds – The City of Redwood Falls is the fiscal agent, or fiduciary, for assets that belong to others. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The City's fiduciary activities are reported in a separate statement of fiduciary net position.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Custodial Funds (Continued)

The custodial fund financial statements can be found on pages 31-32 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 33 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 82-105 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 2024 by \$3,849,922. 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	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and Other Assets	\$ 16,037,634	\$ 16,710,717	\$ 13,212,369	\$ 13,910,129	\$ 29,250,003	\$ 30,620,846
Capital Assets	34,416,427	33,292,882	53,791,186	49,912,458	88,207,613	83,205,340
Total Assets	50,454,061	50,003,599	67,003,555	63,822,587	117,457,616	113,826,186
Deferred Outflows of Resources	2,009,455	2,815,154	193,712	382,443	2,203,167	3,197,597
Liabilities:						
Noncurrent Liabilities Outstanding	6,308,251	7,399,366	26,866,799	27,721,206	33,175,050	35,120,572
Other Liabilities	1,297,830	1,487,741	2,904,775	2,147,758	4,202,605	3,635,499
Total Liabilities	7,606,081	8,887,107	29,771,574	29,868,964	37,377,655	38,756,071
Deferred Inflows of Resources	2,871,000	2,893,719	714,223	526,010	3,585,223	3,419,729
Net Position:						
Net Investment in Capital Assets	30,684,590	29,086,789	29,140,795	29,207,585	59,825,385	58,294,374
Restricted	2,124,212	2,169,371	792,100	884,496	2,916,312	3,053,867
Unrestricted	9,177,633	9,781,767	6,778,575	3,717,975	15,956,208	13,499,742
Total Net Position	\$ 41,986,435	\$ 41,037,927	\$ 36,711,470	\$ 33,810,056	\$ 78,697,905	\$ 74,847,983

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Net position of the City's governmental activities increased by \$948,508 or 2.3%. 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 \$9,177,633 at December 31, 2024. A thorough analysis of governmental activities is discussed below.

Business-Type Activities

The net position of our business-type activities increased by \$2,901,414 or 8.6%, due to the City's proprietary funds continuing to show strong financial performance. The Proprietary funds made cash transfers to governmental funds totaling approximately \$742,000.

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	
	2024	2023	2024	2023	2024	2023
Revenue:						
Program Revenues:						
Charges for Services	\$ 1,755,360	\$ 1,724,864	\$ 13,718,708	\$ 13,343,621	\$ 15,474,068	\$ 15,068,485
Operating Grants and Contributions	771,632	726,907	43,744	-	815,376	726,907
Capital Grants and Contributions	1,486,071	1,920,379	2,625,821	348,228	4,111,892	2,268,607
General Revenues:						
Property Taxes	4,033,025	3,838,375	-	-	4,033,025	3,838,375
Franchise Fees	154,881	222,615	-	-	154,881	222,615
Hotel Taxes	53,854	54,910	-	-	53,854	54,910
Intergovernmental Revenues	2,094,625	1,764,852	-	-	2,094,625	1,764,852
Investment Earnings (Loss)	271,631	550,195	503,445	422,523	775,076	972,718
Gain on Disposal of Assets	32,612	141,796	-	-	32,612	141,796
Miscellaneous	169,491	166,333	113,792	38,433	283,283	204,766
Total Revenue	10,823,182	11,111,226	17,005,510	14,152,805	27,828,692	25,264,031
Expenses:						
General Government	1,351,712	1,609,367	-	-	1,351,712	1,609,367
Public Safety	3,191,419	2,981,973	-	-	3,191,419	2,981,973
Highways and Streets	1,769,909	1,860,453	-	-	1,769,909	1,860,453
Culture and Recreation	3,129,818	2,997,697	-	-	3,129,818	2,997,697
Economic Development	462,156	248,429	-	-	462,156	248,429
Airport	623,099	672,793	-	-	623,099	672,793
Interest and Fiscal Charges	88,453	96,389	-	-	88,453	96,389
Municipal Liquor Store	-	-	2,599,392	2,607,579	2,599,392	2,607,579
Water Utility	-	-	1,813,799	1,763,475	1,813,799	1,763,475
Sewer Utility	-	-	1,442,630	1,346,961	1,442,630	1,346,961
Storm Sewer Utility	-	-	351,946	366,318	351,946	366,318
Electric Utility	-	-	7,154,437	6,572,982	7,154,437	6,572,982
Total Expenses	10,616,566	10,467,101	13,362,204	12,657,315	23,978,770	23,124,416
Change in Net Position Before Transfers	206,616	644,125	3,643,306	1,495,490	3,849,922	2,139,615
Transfers	741,892	716,410	(741,892)	(716,410)	-	-
Change in Net Position	948,508	1,360,535	2,901,414	779,080	3,849,922	2,139,615
Net Position - Beginning of Year	41,037,927	39,677,392	33,810,056	33,030,976	74,847,983	72,708,368
Net Position - End of Year	<u>\$ 41,986,435</u>	<u>\$ 41,037,927</u>	<u>\$ 36,711,470</u>	<u>\$ 33,810,056</u>	<u>\$ 78,697,905</u>	<u>\$ 74,847,983</u>

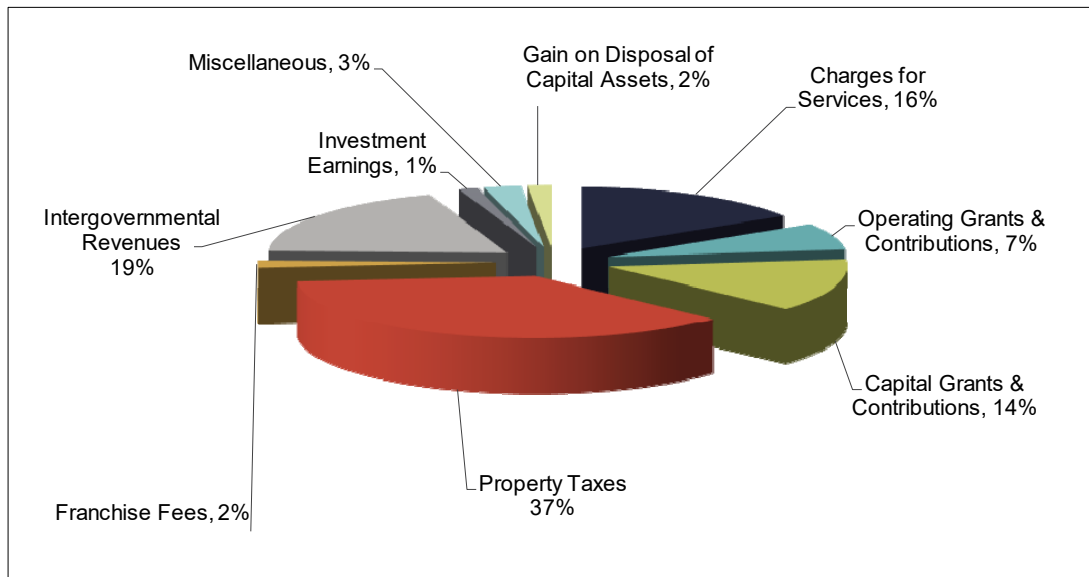
**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

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

**2024 REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES**



Revenues – The City's governmental activities revenues decreased by \$288,044 or 2.6%. The major components of this decrease are explained as follows:

- Charges for services increased by \$30,496. This increase was primarily due to revenue from building permits and plan review fees related to the construction of a new elementary school.
- Operating Grants and Contributions increased by \$44,725. This increase was due to a \$191,000 increase in grant funding related to the Small Cities Development Program, a \$10,000 increase in Minnesota State Aid Street (MSAS) funding, and \$8,000 from Minnesota Homeland Security and Emergency Management related to a flooding event. This was offset by a decrease in public safety grant revenue by approximately \$163,000 primarily due to the one-time public safety aid received in 2023.
- Property taxes increased by \$194,650 and intergovernmental revenues increased by \$329,773 which included a \$276,160 increase in Local Government Aid compared to the prior year.
- Capital grants and contributions decreased by \$434,308. This decrease was due to a \$475,000 decrease in public safety grants and contributions primarily due to the one-time donation of a tactical vehicle in 2023. There was also a \$366,536 decrease in funding towards street projects due to a large part of the grant funded work for the 4th Street Reconstruction Project and the Reflection Ridge Business Park development being completed in 2023. The airport also saw a decrease in grant funding of \$51,156 compared to the prior year. This was offset by an increase

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

of \$458,027 related to culture and recreation grants and contributions primarily due to multiple park improvement projects as well as the library expansion project.

- Franchise Fees decreased by \$67,734. This decrease is attributable to lower gross operating revenues reported by franchisees, as franchise fees are calculated as a percentage of each franchise holder's gross revenue and fluctuate in line with their operational performance.
- Investment earnings decreased by \$278,564 primarily due to a lower increase in fair market value of investments compared to the prior year. Additionally, the reduction in cash balances, attributable to the planned expenditure of capital project funds for street improvements and the Reflection Development Project, further contributed to the decrease in investment income.
- Gain on disposal of assets decreased by \$109,184 compared to the prior year.

Expenses – The City's expenses for governmental activities increased by \$149,465 or 1.4%. The major components of this increase are explained as follows:

- Personnel costs increased by \$263,141, driven by a 3% cost of living adjustment and higher benefits expenses.
- Professional services rose by \$101,590 primarily related to a required agreement with an independent contractor to conduct plan reviews and inspections for the new elementary school.
- Economic development expenses increased \$213,727, with \$191,316 of that increase attributed to pass-through costs related to the Small City Development Program.
- These increases were offset by decreases in other areas including a decrease in general government expenses of \$257,655 primarily due to a change in how external expenses related to the City's internal service funds were recognized compared to the prior year. As a result of this change, the statements reflect net amounts for revenues and expenses related to internal service funds, rather than reporting the gross revenues and expenses separately, as was done in previous years.
- Street expenses decreased \$90,544 largely due to decreased street maintenance supply expenses associated with the mild winter and the airport also saw a decrease in expenses of \$49,694.

Business-Type Activities

Revenues – The City's business-type operating revenues and other income increased \$2,852,705, or in 2024 when compared to 2023. The major components of this increase include a \$2,277,593 increase in capital grants and contributions primarily related to a Point Source Implementation Grant (PSIG) for the City's wastewater treatment facility project. There was also an increase in charges for services of \$375,087. The increase includes \$39,000 in the water utility, \$25,000 in the storm sewer utility, and \$408,000 in the electric utility. These increases were offset by a decrease in charges for services in the sewer utility of \$84,000 primarily due to a decrease in commercial consumption compared to the prior year as well as a decrease in special assessment revenue. The increases in charges for services are a result of rate increases due to higher costs and ongoing infrastructure maintenance requirements.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities (Continued)

Expenses – There was an increase in business-type expenses of 20.2% or \$704,889 in 2024 when compared to 2023. The major components of this increase include an increase in personnel costs across all business activities of \$164,782 due to a 3% cost of living raise, as well as increased benefits cost. The cost of supplies increased primarily due to a \$384,589 increase in the cost of meters attributed to the City's meter replacement projects in both the water and electric utility. Interest expense also increased \$147,000 due to additional debt issued in 2023 for infrastructure improvement projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund – The City's General Fund balance increased by \$312,061 from the 2023 balance. This increase is attributable in part to the General Fund budgetary highlights discussed below.

Capital Project Fund – The Capital Project Fund balance decreased by \$1,163,096 and ended the year with a \$3,892,957 fund balance. This decrease is primarily due to the continued planned spenddown of transfers, bond proceeds, and grants to be used for capital projects. Costs associated with 2024 capital projects include \$881,738 for the Homes of Reflection Prairie and Reflection Ridge Business Park development project, \$1,166,845 for the 4th Street Reconstruction Project, \$177,951 for the purchase of land for a future road extension project, \$205,193 for library projects including a bathroom remodel, \$251,532 for new bathrooms at two different parks, and \$103,323 in miscellaneous capital projects primarily related to updating information technology. These expenses were offset by federal and state grants as well as private contributions in the amount of \$1,220,400.

Nonmajor Governmental Funds – The fund balances for the Nonmajor Governmental Funds increased by \$555,477 in total. The increase is primarily due to a \$333,168 increase in the fund balance of the Port Authority. The Port Authority's fund balance increase is attributed to the transfer of funds to cover the cost of the gas service extension agreement for the Reflections development which was added to the value of the land held for resale. The fire equipment fund also saw an increase of \$86,499 which will help to build the fund balance for future fire truck replacements. Other increases include a \$67,245 increase in the Airport funds and a \$51,741 increase in the TIF fund due to annual tax increments received.

General Fund Budgetary Highlights

Actual revenue was greater than budget in 2024 by \$230,286. The overbudget revenue was made up of several factors including permit revenue being \$211,800 over budget primarily related to construction of the new elementary school. Interest revenue also ended the year \$73,636 higher than anticipated and charges for services came in at \$64,150 over budget. This was offset by intergovernmental revenue being \$127,941 under budget primarily due to the one-time public safety aid being recorded in 2023 but budgeted in 2024 to correspond with when the funds were being spent.

Expenditures were under budget by \$39,908. The general fund expenditures were relatively consistent with the budget. A couple significant variances with budget include seal coating expense coming in \$106,344 lower than budgeted and expenses related to building inspections coming in \$96,221 over budget due to costs associated with the inspections and plan reviews of the new elementary school.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the City of Redwood Falls, had \$153,542,724 invested (original cost) in a broad range of capital assets and right-to-use 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 \$8,359,485 over last year.

Long-Term Debt

At year-end, the City of Redwood Falls, had \$30,435,441 in outstanding long-term debt. During 2024, \$932,859 of General Obligation Water Revenue bonds were issued. Refer to Note 5 of the basic financial statements for a schedule showing the City's long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Redwood Falls' appointed officials considered many factors when presenting the fiscal year 2025 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 STATEMENTS

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 12,263,551	\$ 6,342,459	\$ 18,606,010
Cash and Investments - Restricted	-	792,100	792,100
Accounts Receivable, Net	209,509	1,627,044	1,836,553
Property Taxes Receivable	83,519	-	83,519
Special Assessments Receivable	27,862	62,708	90,570
Accrued Interest Receivable	19,635	40,668	60,303
Interfund Balances	(1,069,009)	1,069,009	-
Due from Other Governments	468,573	1,107,869	1,576,442
Inventories	-	250,194	250,194
Prepaid Items	172,845	1,911,846	2,084,691
Property Held for Resale	2,786,850	-	2,786,850
Notes Receivable	411,633	-	411,633
Lease Receivable	153,027	-	153,027
Acquisition Costs, Net of Amortization	-	8,472	8,472
Net Pension Asset	93,605	-	93,605
Capital Assets Not Being Depreciated/Amortized:			
Land	2,943,082	1,597,267	4,540,349
Land Improvements	132,361	-	132,361
Construction in Progress	188,716	3,661,442	3,850,158
Capital Assets Being Depreciated/Amortized:			
Other Capital Assets, Net of Depreciation	31,152,268	48,532,477	79,684,745
Intangible Right-to-Use Assets, Net of Amortization	416,034	-	416,034
Total Assets	<u>50,454,061</u>	<u>67,003,555</u>	<u>117,457,616</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding Bonds	1,075	14,645	15,720
Pension Related	1,988,404	167,351	2,155,755
Other Postemployment Benefits Related	19,976	11,716	31,692
Total Deferred Outflows of Resources	<u>2,009,455</u>	<u>193,712</u>	<u>2,203,167</u>
LIABILITIES			
Accounts Payable	200,837	630,535	831,372
Contracts Payable	281,928	1,554,136	1,836,064
Accrued Salaries and Fringes	125,345	65,659	191,004
Accrued Interest Payable	35,809	255,443	291,252
Due to Other Governments	8,122	93,415	101,537
Deposits Payable	16,000	127,655	143,655
Unearned Revenue	324,345	14,900	339,245
Long-Term Liabilities:			
Net Pension Liability	1,898,203	841,406	2,739,609
Other Postemployment Benefits Liability Due Within One Year	12,984	7,616	20,600
Other Postemployment Benefits Liability Due in More Than One Year	292,460	155,416	447,876
Due Within One Year	678,032	1,666,788	2,344,820
Due in More Than One Year	3,732,016	24,358,605	28,090,621
Total Liabilities	<u>7,606,081</u>	<u>29,771,574</u>	<u>37,377,655</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	2,609,403	637,006	3,246,409
Other Postemployment Benefits Related	122,582	77,217	199,799
Lease Related	139,015	-	139,015
Total Deferred Inflows of Resources	<u>2,871,000</u>	<u>714,223</u>	<u>3,585,223</u>
NET POSITION			
Net Investment in Capital Assets	30,684,590	29,140,795	59,825,385
Restricted for:			
Police Seizures	25,287	-	25,287
Gilwood Haven	253,636	-	253,636
Debt Service	56,294	792,100	848,394
Library	322,509	-	322,509
Port Authority	217,624	-	217,624
Revolving Loans	801,759	-	801,759
Transportation	353,498	-	353,498
Firefighter Pension	93,605	-	93,605
Unrestricted	9,177,633	6,778,575	15,956,208
Total Net Position	<u>\$ 41,986,435</u>	<u>\$ 36,711,470</u>	<u>\$ 78,697,905</u>

See accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 1,351,712	\$ 70,538	\$ 2,007	\$ -
Public Safety	3,191,419	400,031	263,509	87,574
Highways and Streets	1,769,909	8,049	108,659	808,365
Culture and Recreation	3,129,818	884,321	67,187	567,902
Economic Development	462,156	26,840	273,463	-
Airport	623,099	365,581	56,807	22,230
Interest and Fiscal Charges	88,453	-	-	-
Total Governmental Activities	10,616,566	1,755,360	771,632	1,486,071
Business-Type Activities:				
Municipal Liquor Store	2,599,392	2,630,116	6,888	-
Water Utility	1,813,799	1,857,041	7,407	150
Sewer Utility	1,442,630	1,159,858	6,455	2,456,887
Storm Sewer Utility	351,946	402,585	2,331	168,784
Electric Utility	7,154,437	7,669,108	20,663	-
Total Business-Type Activities	13,362,204	13,718,708	43,744	2,625,821
Total	\$ 23,978,770	\$ 15,474,068	\$ 815,376	\$ 4,111,892

GENERAL REVENUES

Taxes:
 Property Taxes, Levied for General Purpose
 Franchise Taxes
 Hotel and Motel Taxes
 Intergovernmental Revenues, Not Restricted
 to Specific Programs
 Investment Earnings
 Gain on Disposal of Capital Assets
 Miscellaneous
 Transfers
 Total General Revenues and Transfers

CHANGES IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,279,167)	\$ -	\$ (1,279,167)
(2,440,305)	-	(2,440,305)
(844,836)	-	(844,836)
(1,610,408)	-	(1,610,408)
(161,853)	-	(161,853)
(178,481)	-	(178,481)
(88,453)	-	(88,453)
(6,603,503)	-	(6,603,503)
-	37,612	37,612
-	50,799	50,799
-	2,180,570	2,180,570
-	221,754	221,754
-	535,334	535,334
-	3,026,069	3,026,069
(6,603,503)	3,026,069	(3,577,434)
4,033,025	-	4,033,025
154,881	-	154,881
53,854	-	53,854
2,094,625	-	2,094,625
271,631	503,445	775,076
32,612	-	32,612
169,491	113,792	283,283
741,892	(741,892)	-
7,552,011	(124,655)	7,427,356
948,508	2,901,414	3,849,922
41,037,927	33,810,056	74,847,983
<u>\$ 41,986,435</u>	<u>\$ 36,711,470</u>	<u>\$ 78,697,905</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 6,144,015	\$ 4,092,849	\$ 1,692,544	\$ 11,929,408
Accounts Receivable, Net	155,423	43,667	10,289	209,379
Property Taxes Receivable	64,420	-	19,099	83,519
Special Assessments Receivable	27,862	-	-	27,862
Accrued Interest Receivable	3,574	13,436	2,625	19,635
Advances to Other Funds	567,785	-	-	567,785
Due from Other Governments	29,296	362,294	76,398	467,988
Prepaid Items	124,403	-	43,612	168,015
Property Held for Resale	-	-	2,786,850	2,786,850
Notes Receivable	-	-	411,633	411,633
Lease Receivable	-	-	153,027	153,027
Total Assets	<u>\$ 7,116,778</u>	<u>\$ 4,512,246</u>	<u>\$ 5,196,077</u>	<u>\$ 16,825,101</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 151,978	\$ -	\$ 27,901	\$ 179,879
Contracts Payable	18,690	240,288	22,950	281,928
Accrued Salaries and Fringes	112,166	-	10,743	122,909
Due to Other Funds	20,968	-	2,107	23,075
Due to Other Governments	8,102	-	20	8,122
Advances from Other Funds	-	-	567,785	567,785
Deposits Payable	6,000	-	10,000	16,000
Unearned Revenue	258,571	1,500	64,274	324,345
Total Liabilities	<u>576,475</u>	<u>241,788</u>	<u>705,780</u>	<u>1,524,043</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	-	139,015	139,015
Unavailable Revenue - Taxes and Special Assessments	56,488	-	9,803	66,291
Unavailable Revenue - Notes	-	-	130,133	130,133
Unavailable Revenue - Grants and Other	10,828	377,501	28,591	416,920
Total Deferred Inflows of Resources	<u>67,316</u>	<u>377,501</u>	<u>307,542</u>	<u>752,359</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	124,403	-	43,612	168,015
Advance	567,785	-	-	567,785
Property Held for Resale	-	-	2,786,850	2,786,850
Restricted for:				
Police Seizures	25,287	-	-	25,287
Gilwood Haven	253,636	-	-	253,636
Debt Service	-	-	85,749	85,749
Library	-	-	316,616	316,616
Port Authority	-	-	216,656	216,656
Revolving Loans	-	-	671,626	671,626
Transportation	-	72,570	-	72,570
Committed to:				
Fire Equipment	-	-	427,897	427,897
Airport Operations	-	-	103,324	103,324
Economic Development	-	338,455	-	338,455
Capital Expenditures	-	762,438	-	762,438
Assigned to:				
Softball Improvements	6,000	-	-	6,000
Fire Relief Contribution	112,116	-	-	112,116
Capital Projects - Reflections	-	2,719,494	-	2,719,494
Airport Projects	-	-	98,210	98,210
Unassigned	5,383,760	-	(567,785)	4,815,975
Total Fund Balances	<u>6,472,987</u>	<u>3,892,957</u>	<u>4,182,755</u>	<u>14,548,699</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,116,778</u>	<u>\$ 4,512,246</u>	<u>\$ 5,196,077</u>	<u>\$ 16,825,101</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, 2024**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Total Fund Balances - Governmental Funds	\$	14,548,699
--	----	------------

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	\$	2,891,182	
Land Improvements		132,361	
Construction in Progress		188,716	
Land Improvements, Net of Accumulated Depreciation		1,168,660	
Buildings, Net of Accumulated Depreciation		7,928,833	
Infrastructure, Net of Accumulated Depreciation		15,068,747	
Machinery and Shop Equipment, Net of Accumulated Depreciation		3,444,442	
Right-to-Use Assets, Net of Accumulated Amortization		416,034	
Total			31,238,975

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.		613,344
--	--	---------

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.		(31,275)
---	--	----------

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.		2,222,582
--	--	-----------

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		93,605
Net Pension Liability		(1,865,964)
Deferred Outflows of Resources - Pension Related		1,981,992
Deferred Inflows of Resources - Pension Related		(2,584,996)

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		(300,615)
Deferred Outflows of Resources - OPEB Related		19,483
Deferred Inflows of Resources - OPEB Related		(119,381)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:			
Bonds Payable, Excluding Internal Service Funds		(2,825,163)	
Unamortized Cost of Refunding		1,075	
Finance Purchase Obligations		(72,969)	
Compensated Absences Payable		(538,071)	
Lease Liability		(394,886)	
Total			(3,830,014)

Net Position of Governmental Activities as Reported on the Statement of Net Position	\$	41,986,435
--	----	------------

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, 2024

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Tax Levies	\$ 3,202,850	\$ 181,100	\$ 878,900	\$ 4,262,850
Intergovernmental	2,402,834	995,581	548,314	3,946,729
Charges for Services	1,011,942	-	417,395	1,429,337
Fees, Licenses, and Permits	326,231	-	-	326,231
Fines and Forfeits	27,201	-	3,408	30,609
Investment Earnings	177,736	47,163	45,532	270,431
Contributions	16,298	224,819	17,257	258,374
Miscellaneous	105,043	16,383	14,318	135,744
Total Revenues	7,270,135	1,465,046	1,925,124	10,660,305
EXPENDITURES				
Current:				
General Government	1,233,688	-	-	1,233,688
Public Safety	2,824,857	-	44,498	2,869,355
Highways and Streets	1,234,887	113,799	-	1,348,686
Culture and Recreation	1,948,669	-	500,530	2,449,199
Economic Development	86,109	-	360,417	446,526
Airport	-	-	432,250	432,250
Capital Outlay	75,853	2,374,045	73,711	2,523,609
Debt Service:				
Principal	96,440	-	261,894	358,334
Interest	11,615	-	95,414	107,029
Fiscal Agent Fees	-	108	936	1,044
Total Expenditures	7,512,118	2,487,952	1,769,650	11,769,720
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(241,983)	(1,022,906)	155,474	(1,109,415)
OTHER FINANCING SOURCES (USES)				
Transfers In	708,290	158,440	439,288	1,306,018
Transfers Out	(243,738)	(298,630)	(85,158)	(627,526)
Finance Purchase Obligation	89,492	-	-	89,492
Sale of Assets	-	-	45,873	45,873
Total Other Financing Sources (Uses)	554,044	(140,190)	400,003	813,857
NET CHANGE IN FUND BALANCES	312,061	(1,163,096)	555,477	(295,558)
Fund Balances - Beginning of Year	6,160,926	5,056,053	3,627,278	14,844,257
FUND BALANCES - END OF YEAR	<u>\$ 6,472,987</u>	<u>\$ 3,892,957</u>	<u>\$ 4,182,755</u>	<u>\$ 14,548,699</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, 2024

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds \$ (295,558)

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	\$	2,596,633	
Capital Contributions		32,580	
Loss on Disposal		(13,262)	
Depreciation and Amortization Expense		(1,672,482)	
Total			943,469

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.

1,637

Some capital asset additions are financed through finance purchase obligations. In governmental funds, a finance purchase obligation arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of finance purchase obligation principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Finance Purchase Obligation Proceeds (89,492)

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		261,894	
Repayment of Finance Lease Purchase		16,523	
Amortization of Cost of Refunding		(215)	
Repayment of Lease Liability		79,917	
Repayment of Finance Purchase Obligation		16,523	
Total			358,119

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, 2023		(575,533)	
Deferred Inflows - December 31, 2024		613,344	
Total			37,811

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.

(180,593)

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.

13,246

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.

174,520

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.

(14,651)

Change in Net Position of Governmental Activities as Reported on the Statement of Activities

\$ 948,508

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION —
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
ASSETS				
Cash and Cash Equivalents	\$ 554,562	\$ 484,060	\$ 4,487,284	\$ 266,283
Cash and Cash Equivalents - Restricted	-	-	792,100	-
Accounts Receivable, Net	153,740	240,513	1,174,858	86
Special Assessments Receivable	54,971	3,767	1,869	-
Accrued Interest Receivable	9,669	5,001	22,263	2,381
Due from Other Funds	657	1,168	41,015	-
Due from Other Governmental Units	1,088,062	-	11,910	-
Inventories	-	-	-	250,194
Prepaid Items	8,478	298,692	1,595,791	7,709
Total Current Assets	1,870,139	1,033,201	8,127,090	526,653
NONCURRENT ASSETS				
Acquisition Costs, Net of Amortization	-	-	8,472	-
Capital Assets:				
Land	35,524	54,538	271,256	42,900
Construction in Progress	3,516,321	4,710	138,581	-
Buildings and Improvements	18,834,053	20,449,519	28,902,263	601,262
Machinery and Equipment	2,384,684	1,786,500	3,693,635	203,473
Total Capital Assets	24,770,582	22,295,267	33,005,735	847,635
Less: Accumulated Depreciation	(9,694,356)	(6,677,595)	(15,984,034)	(483,373)
Net Capital Assets	15,076,226	15,617,672	17,021,701	364,262
Total Noncurrent Assets	15,076,226	15,617,672	17,030,173	364,262
Total Assets	16,946,365	16,650,873	25,157,263	890,915
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding Bonds	1,627	1,260	11,487	-
Pension Related	25,507	29,265	76,153	27,216
Other Postemployment Benefits Related	1,974	1,847	5,428	1,974
Total Deferred Outflows of Resources	29,108	32,372	93,068	29,190

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION —
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2024**

Storm Sewer Utility	Total	Governmental Activities Internal Service Funds
\$ 550,270	\$ 6,342,459	\$ 334,143
-	792,100	-
57,847	1,627,044	130
2,101	62,708	-
1,354	40,668	-
418	43,258	-
7,897	1,107,869	585
-	250,194	-
1,176	1,911,846	4,830
621,063	12,178,146	339,688
-	8,472	-
1,193,049	1,597,267	51,900
1,830	3,661,442	-
5,186,833	73,973,930	1,395,395
59,425	8,127,717	5,316,286
6,441,137	87,360,356	6,763,581
(729,812)	(33,569,170)	(3,170,095)
5,711,325	53,791,186	3,593,486
5,711,325	53,799,658	3,593,486
6,332,388	65,977,804	3,933,174
271	14,645	-
9,210	167,351	6,412
493	11,716	493
9,974	193,712	6,905

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION —
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2024

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
LIABILITIES				
Accounts Payable	\$ 28,936	\$ 68,463	\$ 437,391	\$ 90,652
Contracts Payable	1,268,887	79,019	143,235	-
Accrued Salaries and Fringes	9,638	11,558	29,750	11,137
Accrued Interest Payable	91,016	101,654	26,720	-
Due to Other Funds	12,712	4,621	287	1,516
Due to Other Governmental Units	-	1,103	66,549	25,763
Customer Deposits	-	-	127,655	-
Current Portion of Compensated Absences	37,127	42,857	67,758	51,374
Current Portion of Other Postemployment Benefits Liability	1,283	1,201	3,528	1,283
Current Portion of Bonds Payable	279,883	421,750	677,000	-
Total Current Liabilities	1,729,482	732,226	1,579,873	181,725
NONCURRENT LIABILITIES				
Compensated Absences	28,013	31,212	67,217	37,079
Other Postemployment Benefits Liability	24,742	24,544	79,661	24,155
Net Pension Liability	128,238	147,140	382,879	136,838
Bonds Payable - Long-Term	6,612,551	8,063,725	7,240,161	-
Unearned Revenue	-	-	14,900	-
Total Noncurrent Liabilities	6,793,544	8,266,621	7,784,818	198,072
Total Liabilities	8,523,026	8,998,847	9,364,691	379,797
DEFERRED INFLOWS OF RESOURCES				
Pension Related	97,085	111,396	289,867	103,597
Other Postemployment Benefits Related	12,804	13,196	35,212	12,804
Total Deferred Inflows of Resources	109,889	124,592	325,079	116,401
NET POSITION				
Net Investment in Capital Assets	6,989,045	7,123,323	11,321,563	364,263
Restricted for Bond Reserve Funds	-	-	792,100	-
Unrestricted	1,353,513	436,483	3,446,898	59,644
Total Net Position	\$ 8,342,558	\$ 7,559,806	\$ 15,560,561	\$ 423,907
Adjustment to Reflect the Consolidated Internal Service Funds Related to the Enterprise Fund				
Total Net Position of the Business-Type Activities				

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION —
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2024**

Storm Sewer Utility	Total	Governmental Activities Internal Service Funds
\$ 5,093	\$ 630,535	\$ 20,958
62,995	1,554,136	-
3,576	65,659	2,436
36,053	255,443	4,534
81	19,217	966
-	93,415	-
-	127,655	-
7,799	206,915	2,330
321	7,616	321
81,240	1,459,873	53,000
197,158	4,420,464	84,545
9,099	172,620	2,629
2,314	155,416	4,508
46,311	841,406	32,239
2,269,548	24,185,985	521,000
-	14,900	-
<u>2,327,272</u>	<u>25,370,327</u>	<u>560,376</u>
2,524,430	29,790,791	644,921
35,061	637,006	24,407
3,201	77,217	3,201
<u>38,262</u>	<u>714,223</u>	<u>27,608</u>
3,342,601	29,140,795	3,019,486
-	792,100	-
<u>437,069</u>	<u>5,733,607</u>	<u>248,064</u>
<u>\$ 3,779,670</u>	35,666,502	<u>\$ 3,267,550</u>
	<u>1,044,968</u>	
	<u>\$ 36,711,470</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, 2024

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
OPERATING REVENUE				
Sales	\$ -	\$ -	\$ -	\$ 2,630,116
Cost of Sales	-	-	-	(1,929,268)
Charges for Services	1,151,120	1,842,350	7,277,665	-
Miscellaneous	8,738	14,691	391,443	-
Total Operating Revenue	1,159,858	1,857,041	7,669,108	700,848
OPERATING EXPENSES				
Personnel Services	467,461	537,905	1,264,771	522,514
Administration and General	267,534	165,609	417,120	42,325
Supplies, Repairs, Services, and Rents	209,572	397,902	4,116,891	17,122
Depreciation and Amortization	209,961	436,493	1,009,357	23,104
Benefits or Claims Paid	-	-	-	-
Miscellaneous	55,941	7,687	-	65,059
Total Operating Expenses	1,210,469	1,545,596	6,808,139	670,124
OPERATING INCOME (LOSS)	(50,611)	311,445	860,969	30,724
OTHER INCOME (EXPENSE)				
Intergovernmental Revenues	6,455	7,407	20,663	6,888
Investment Earnings	24,957	28,824	422,553	5,818
Miscellaneous Revenues	10,670	12,564	86,626	3,412
Interest Expense	(230,269)	(264,842)	(341,494)	-
Gain on Sale of Capital Assets	-	-	-	-
Total Other Income (Expense)	(188,187)	(216,047)	188,348	16,118
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(238,798)	95,398	1,049,317	46,842
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers In	-	-	-	-
Transfers Out	(76,836)	(115,298)	(405,164)	(120,000)
Capital Contributions	2,456,887	150	-	-
Total Transfers	2,380,051	(115,148)	(405,164)	(120,000)
CHANGE IN NET POSITION	2,141,253	(19,750)	644,153	(73,158)
Net Position - Beginning of Year	6,201,305	7,579,556	14,916,408	497,065
NET POSITION - END OF YEAR	<u>\$ 8,342,558</u>	<u>\$ 7,559,806</u>	<u>\$ 15,560,561</u>	<u>\$ 423,907</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to the Enterprise Funds				
Change in Net Position of Business-Type Activities				

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

Storm Sewer Utility	Total	Governmental Activities Internal Service Funds
\$ -	\$ 2,630,116	\$ -
-	(1,929,268)	-
400,835	10,671,970	2,242,711
1,750	416,622	1,864
<u>402,585</u>	<u>11,789,440</u>	<u>2,244,575</u>
153,638	2,946,289	103,657
6,974	899,562	53,687
27,000	4,768,487	256,858
65,394	1,744,309	413,489
-	-	1,539,873
10,699	139,386	2,712
<u>263,705</u>	<u>10,498,033</u>	<u>2,370,276</u>
138,880	1,291,407	(125,701)
171,115	212,528	1,623
21,293	503,445	9,275
520	113,792	-
(87,385)	(923,990)	(10,989)
-	-	36,828
<u>105,543</u>	<u>(94,225)</u>	<u>36,737</u>
244,423	1,197,182	(88,964)
-	-	63,400
(24,594)	(741,892)	-
-	2,457,037	-
<u>(24,594)</u>	<u>1,715,145</u>	<u>63,400</u>
219,829	2,912,327	(25,564)
<u>3,559,841</u>		<u>3,293,114</u>
<u>\$ 3,779,670</u>		<u>\$ 3,267,550</u>
	<u>(10,913)</u>	
	<u>\$ 2,901,414</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS —
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 1,174,300	\$ 1,886,515	\$ 7,408,860	\$ 2,629,827
Cash Paid to Suppliers	(526,386)	(780,286)	(4,799,478)	(2,008,633)
Cash Paid to Employees	(449,899)	(515,229)	(1,300,978)	(485,801)
Other Receipts	10,670	12,564	86,626	10,300
Unrestricted Donations and Grant Receipts	-	7,407	20,663	-
Net Cash Flows Provided by Operating Activities	208,685	610,971	1,415,693	145,693
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(76,836)	(115,298)	(405,164)	(120,000)
Transfers from Other Funds	-	-	-	-
Due To Other Funds	-	-	-	-
Unrestricted Donations and Grant Revenues	6,455	-	-	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(70,381)	(115,298)	(405,164)	(120,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(2,414,200)	(419,304)	(1,778,133)	-
Cash Received for Capital Assets	-	-	-	-
Proceeds from Issuance of Bonds	932,859	-	-	-
Capital Contributions and Grants Received	1,399,836	-	-	-
Principal Paid on Bonds	(249,602)	(461,083)	(647,000)	-
Interest, Paying Agent Fees	(225,864)	(267,239)	(339,797)	-
Net Cash Flows Used by Capital and Related Financing Activities	(556,971)	(1,147,626)	(2,764,930)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	24,743	28,649	426,930	5,908
Net Cash Flows Provided by Investing Activities	24,743	28,649	426,930	5,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(393,924)	(623,304)	(1,327,471)	31,601
Cash and Cash Equivalents - Beginning of Year	948,486	1,107,364	6,606,855	234,682
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 554,562</u>	<u>\$ 484,060</u>	<u>\$ 5,279,384</u>	<u>\$ 266,283</u>

See accompanying Notes to Basic Financial Statements.

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

Storm Sewer Utility	Total	Governmental Activities Internal Service Funds
\$ 399,211	\$ 13,498,713	\$ 2,279,691
(44,619)	(8,159,402)	(1,857,274)
(155,729)	(2,907,636)	(122,761)
520	120,680	-
-	28,070	1,623
199,383	2,580,425	301,279
(24,594)	(741,892)	-
-	-	63,400
-	-	(894)
-	6,455	-
(24,594)	(735,437)	62,506
(363,767)	(4,975,404)	(461,459)
358,232	358,232	-
-	932,859	-
-	1,399,836	-
(71,420)	(1,429,105)	(52,000)
(87,590)	(920,490)	(11,400)
(164,545)	(4,634,072)	(524,859)
21,689	507,919	9,275
21,689	507,919	9,275
31,933	(2,281,165)	(151,799)
518,337	9,415,724	485,942
<u>\$ 550,270</u>	<u>\$ 7,134,559</u>	<u>\$ 334,143</u>

See accompanying Notes to Basic Financial Statements.

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

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (50,611)	\$ 311,445	\$ 860,969	\$ 30,724
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	209,961	436,493	1,009,357	23,104
Operating Grants and Miscellaneous Revenue	10,670	19,971	107,289	10,300
(Increase) Decrease in Assets and Deferred Outflows:				
Receivables	12,680	(11,057)	(235,375)	17
Due from Other Funds	1,762	22,440	(2,662)	-
Due from Other Governments	-	18,091	(11,910)	-
Inventories	-	-	-	18,264
Prepaid Items	1,560	(174,678)	(374,670)	820
Deferred Outflows of Resources - Pension	24,576	27,561	94,661	28,049
Deferred Outflows of Resources - OPEB	(35)	(43)	(95)	(35)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	2,420	(33,121)	87,995	24,847
Accrued Salaries and Fringes	1,248	1,683	4,811	45,156
Due to Other Funds	2,681	(353)	-	(306)
Due to Other Governments	-	(936)	21,208	1,210
Unearned Revenue	-	-	(4,575)	-
OPEB Liability	2,392	2,990	6,579	2,392
Other Accrued Liabilities	17,501	19,948	47,009	-
Customer Deposits	-	-	(5,726)	-
Net Pension Liability	(61,154)	(67,753)	(263,067)	(72,155)
Deferred Inflows of Resources - Pension	36,786	42,980	84,213	37,058
Deferred Inflows of Resources - OPEB	(3,752)	(4,690)	(10,318)	(3,752)
Net Cash Flows Provided by Operating Activities	<u>\$ 208,685</u>	<u>\$ 610,971</u>	<u>\$ 1,415,693</u>	<u>\$ 145,693</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital Assets on Account	<u>\$ 1,268,887</u>	<u>\$ 79,019</u>	<u>\$ 143,235</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS —
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2024**

Storm Sewer Utility	Total	Governmental Activities Internal Service Funds
\$ 138,880	\$ 1,291,407	\$ (125,701)
65,394	1,744,309	413,489
520	148,750	1,623
(3,432)	(237,167)	32,014
(23)	21,517	-
-	6,181	6,787
-	18,264	-
(224)	(547,192)	(342)
11,086	185,933	8,160
(8)	(216)	(8)
278	82,419	4,996
6,983	59,881	(19,702)
81	2,103	-
-	21,482	(4)
-	(4,575)	-
598	14,951	598
-	84,458	-
-	(5,726)	(3,685)
(30,438)	(494,567)	(22,869)
10,626	211,663	6,861
(938)	(23,450)	(938)
<u>\$ 199,383</u>	<u>\$ 2,580,425</u>	<u>\$ 301,279</u>
<u>\$ 62,995</u>	<u>\$ 1,554,136</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION –
PACE CUSTODIAL FUND
DECEMBER 31, 2024**

ASSETS

Special Assessments Receivable	\$ 2,221,325
--------------------------------	--------------

LIABILITIES

Accounts Payable	<u>-</u>
------------------	----------

NET POSITION

Restricted for PACE	<u><u>\$ 2,221,325</u></u>
---------------------	----------------------------

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
PACE CUSTODIAL FUND
YEAR ENDED DECEMBER 31, 2024**

ADDITIONS

Special Assessment Collections for Other Governments	\$ 2,221,325
--	--------------

DEDUCTIONS

Payment of Special Assessments to Other Governments	<u>-</u>
---	----------

CHANGE IN NET POSITION

2,221,325

Net Position - Beginning of Year

-

NET POSITION - END OF THE YEAR

\$ 2,221,325

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024**

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, 2024**

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, proprietary, and fiduciary) are presented. Fiduciary funds are excluded from the government-wide financial statements. 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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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.

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.

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.

Additionally, the City reports the following fiduciary fund types:

PACE Custodial Fund

The PACE Custodial Fund is used to account for special assessments levied to repay the Property Assessed Clean Energy loans through the Saint Paul Port Authority.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary 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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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, 2024, restricted cash and investments are assets set aside for a debt service reserve fund required under a bond agreement.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable and Allowance for Uncollectible Accounts

The City has an allowance for uncollectible accounts which was \$24,000 for the General Fund, \$40,000 for the Electric Fund, and \$2,000 for the aggregate remaining funds at December 31, 2024.

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, 2024**

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.

L. Capital Assets

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

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.

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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Notes 7 and 9.

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 Notes 7 and 9. 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.

N. Compensated Absences

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 an other 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.

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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance (Continued)

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

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

S. Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide and proprietary and fiduciary 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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Adoption Of New Accounting Standards

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

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

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, 2024 in the following funds:

	Fund Balance
	(Deficit)
TIF #10-1 Runnings Redevelopment	<u>\$ (567,785)</u>

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 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, 2024 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, 2024**

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, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The following information provides disclosures related to the City's December 31, 2024 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	\$ 6,096,662	\$ 595,808	\$ 1,197,873	\$ 2,237,022	\$ 2,065,959
Municipal Securities	7,117,429	2,731,568	1,121,784	1,099,797	2,164,280
Money Markets	128,372	128,372	-	-	-
External Investment Pool	2,844,756	2,844,756	-	-	-
Total	<u>\$ 16,187,219</u>	<u>\$ 6,300,504</u>	<u>\$ 2,319,657</u>	<u>\$ 3,336,819</u>	<u>\$ 4,230,239</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy does not further limit its investing options beyond state statute.

The following chart summarizes year-end ratings for the City's investments:

Type	Credit Quality Rating	Amount
U.S. Government Agencies	Aaa	\$ 6,096,662
Municipal Securities	Not Rated	168,521
Municipal Securities	Aaa	1,223,917
Municipal Securities	Aa1	1,195,962
Municipal Securities	Aa2	3,120,082
Municipal Securities	Aa3	1,089,163
Municipal Securities	A1	319,784
Total		<u>\$ 13,214,091</u>

The external investment pool and money markets are not rated.

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

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	\$ 2,120,057	13.1 %
Federal National Mortgage Association	876,500	5.4
Federal Home Loan Mortgage Corporation	1,382,741	8.5
Federal Farm Credit Bank Bond	1,711,338	10.6

Fair Value Measurement

City Investments are measured as follows:

	December 31, 2024	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Agencies	\$ 4,296,840	\$ -	\$ 4,296,840	\$ -
U.S. Government Agencies - Mortgage-Backed	1,799,822	-	1,799,822	-
Municipal Bonds	7,117,429	-	7,117,429	-
Total Investments at Fair Value	13,214,091	\$ -	\$ 13,214,091	\$ -
Investments Measured at Amortized Cost:				
Money Market	128,372			
External Investment Pool	2,844,756			
Total Investments Measured at Amortized Cost	2,973,128			
Total Investments	\$ 16,187,219			

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 seven days interest on the amount withdrawn.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	\$ 6,342,459	\$ 792,100	\$ 7,134,559
Governmental Funds	11,929,408	-	11,929,408
Internal Service Funds	334,143	-	334,143
Total Primary Government	<u>\$ 18,606,010</u>	<u>\$ 792,100</u>	<u>\$ 19,398,110</u>
Petty Cash and Change Fund	\$ 2,870		
Investments	16,187,219		
Deposits	<u>3,208,021</u>		
Total Deposits and Investments	<u>\$ 19,398,110</u>		

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 CAPITAL ASSETS

Governmental capital asset and right-to-use asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities, Including					
Internal Service Funds					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,722,453	\$ 177,951	\$ -	\$ 42,678	\$ 2,943,082
Land Improvements	100,938	-	-	31,423	132,361
Construction in Progress	5,161,316	2,098,085	(7,070,685)	-	188,716
Total Capital Assets, Not Being Depreciated	7,984,707	2,276,036	(7,070,685)	74,101	3,264,159
Capital Assets, Being Depreciated:					
Land Improvements	2,407,645	9,190	-	-	2,416,835
Buildings	18,688,704	220,906	(31,905)	-	18,877,705
Infrastructure	22,591,712	6,835,068	-	(72,546)	29,354,234
Machinery and Shop Equipment	10,420,934	1,030,366	(422,981)	-	11,028,319
Office Equipment and Furniture	189,981	-	-	-	189,981
Library Books	393,115	-	(31,593)	-	361,522
Total Capital Assets, Being Depreciated	54,692,091	8,095,530	(486,479)	(72,546)	62,228,596
Less: Accumulated Depreciation for:					
Land Improvements	(1,125,376)	(122,799)	-	-	(1,248,175)
Buildings	(9,081,586)	(503,796)	31,905	-	(9,553,477)
Infrastructure	(13,619,508)	(665,979)	-	-	(14,285,487)
Machinery and Shop Equipment	(4,974,350)	(698,119)	234,783	-	(5,437,686)
Office Equipment and Furniture	(189,981)	-	-	-	(189,981)
Library Books	(393,115)	-	31,593	-	(361,522)
Total Accumulated Depreciation	(29,383,916)	(1,990,693)	298,281	-	(31,076,328)
Total Capital Assets, Being Depreciated, Net	25,308,175	6,104,837	(188,198)	(72,546)	31,152,268
Intangible Right-to-Use Assets:					
Leased Buildings	621,480	-	-	-	621,480
Leased Equipment	6,860	-	-	-	6,860
Subscription Based Asset	61,273	-	-	-	61,273
Total Intangible Right-to-Use Assets	689,613	-	-	-	689,613
Less: Accumulated Amortization for:					
Leased Buildings	(162,126)	(81,063)	-	-	(243,189)
Leased Equipment	(3,920)	(1,960)	-	-	(5,880)
Subscription Based Asset	(12,255)	(12,255)	-	-	(24,510)
Total Accumulated Amortization	(178,301)	(95,278)	-	-	(273,579)
Total Intangible Right-to-Use Assets, Net	511,312	(95,278)	-	-	416,034
Governmental Activities Capital Assets, Net	<u>\$ 33,804,194</u>	<u>\$ 8,285,595</u>	<u>\$ (7,258,883)</u>	<u>\$ 1,555</u>	<u>\$ 34,832,461</u>

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General Government	\$ 71,246
Public Safety	292,429
Highways and Streets	942,367
Culture and Recreation	582,412
Airport	197,517
Total Depreciation and Amortization Expense, Governmental Activities	<u>\$ 2,085,971</u>

Business-type capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,597,267	\$ -	\$ -	\$ -	\$ 1,597,267
Construction in Progress	12,086,442	5,234,808	(13,659,808)	-	3,661,442
Total Capital Assets, Not Being Depreciated	13,683,709	5,234,808	(13,659,808)	-	5,258,709
Capital Assets, Being Depreciated:					
Buildings and Improvements	60,293,039	13,746,045	(63,599)	(1,555)	73,973,930
Machinery and Shop Equipment	7,840,080	287,637	-	-	8,127,717
Total Capital Assets, Being Depreciated	68,133,119	14,033,682	(63,599)	(1,555)	82,101,647
Less: Accumulated Depreciation for:					
Buildings and Improvements	(25,869,138)	(1,528,479)	63,599	-	(27,334,018)
Machinery and Shop Equipment	(6,035,232)	(199,920)	-	-	(6,235,152)
Total Accumulated Depreciation	(31,904,370)	(1,728,399)	63,599	-	(33,569,170)
Total Capital Assets, Being Depreciated, Net	36,228,749	12,305,283	-	(1,555)	48,532,477
Business-Type Activities Capital Assets, Net	<u>\$ 49,912,458</u>	<u>\$ 17,540,091</u>	<u>\$ (13,659,808)</u>	<u>\$ (1,555)</u>	<u>\$ 53,791,186</u>

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

Business-Type Activities:

Municipal Liquor Store	\$ 23,104
Water Utility	436,493
Sewer Utility	209,961
Storm Sewer Utility	65,394
Electric Utility	993,447
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,728,399</u>

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 CITY INDEBTEDNESS

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

	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Payable December 31, 2024
Governmental Activities, Including Internal Service Funds:					
General Obligation Bonds:					
General Obligation Bonds -Series 2020B Refunding					
	10/1/2020	2/1/2026	.55 - 1.3%	\$ 269,181	\$ 85,163
General Obligation Bonds -Series 2021A General Obligation Street Reconstruction Bonds -Series 2022A					
	5/6/2021	2/1/2031	1.0 - 1.15%	1,184,810	930,000
	6/1/2022	2/1/2043	3.5-3.875%	1,845,000	1,810,000
General Obligation Notes:					
Capital Improvement Plan Note - Series 2020A Refunding					
	5/11/2020	2/1/2034	1.90%	780,000	574,000
Total Bonds and Notes				<u>4,078,991</u>	<u>3,399,163</u>
Finance Purchase Obligations:					
Axon - Fleet Cameras					
	5/1/2024	5/1/2028	N/A	43,111	35,151
Axon - Tasers					
	1/1/2024	1/1/2028	N/A	46,382	37,818
Total Finance Purchase Obligations					
Lease Liability				628,340	394,886
Compensated Absences Payable				-	543,030
Total Governmental Activities				<u>\$ 4,796,824</u>	<u>\$ 4,410,048</u>
Business-Type Activities:					
General Obligation Bonds:					
General Obligation Bonds -Series 2020B Refunding:					
- Water Portion					
	10/1/2020	2/1/2029	.55 - 1.3%	\$ 233,313	\$ 115,623
- Sewer Portion					
	10/1/2020	2/1/2029	.55 - 1.3%	301,291	149,317
- Storm Sewer Portion					
	10/1/2020	2/1/2029	.55 - 1.3%	50,215	24,896
General Obligation Bonds -Series 2021A:					
- Water Portion					
	5/6/2021	2/1/2042	1.0 - 2.0%	1,143,607	1,037,664
- Sewer Portion					
	5/6/2021	2/1/2042	1.0 - 2.0%	531,583	482,337
General Obligation Revenue Bonds:					
Electric Revenue Refunding Bonds, Series 2013A					
	3/5/2013	12/1/2027	1 - 2.5%	2,065,000	465,000
Water Revenue Bonds, Series 2018A					
	10/1/2018	2/1/2034	3 - 3.25%	720,000	520,000
Electric Revenue Bonds, Series 2019A					
	12/5/2019	12/1/2031	2.35%	2,415,000	1,489,000
Electric Revenue Bonds, Series 2021B					
	10/5/2021	12/1/2036	1.90%	1,205,000	995,000
Utility Revenue Bonds, Series 2022A					
- Water Portion					
	6/1/2022	2/1/2043	3.5-3.875%	439,622	420,971
- Sewer Portion					
	6/1/2022	2/1/2043	3.5-3.875%	797,781	763,936
- Storm Sewer Portion					
	6/1/2022	2/1/2043	3.5-3.875%	412,597	395,093
Utility Revenue Bonds, Series 2022B					
- Water Portion					
	6/1/2022	2/1/2048	3.5-4%	2,141,240	2,081,017
- Sewer Portion					
	6/1/2022	2/1/2048	3.5-4%	4,136,936	4,020,585
- Storm Sewer Portion					
	6/1/2022	2/1/2048	3.5-4%	1,721,824	1,673,399
Utility Revenue Bonds, Series 2023A					
- Water Portion					
	9/1/2023	2/1/2044	4.00%	629,200	629,200
- Sewer Portion					
	9/1/2023	2/1/2044	4.00%	543,400	543,400
- Storm Sewer Portion					
	9/1/2023	2/1/2044	4.00%	257,400	257,400
Utility Revenue Bonds, Series 2023B					
	12/6/2023	12/1/2038	5.00%	5,210,000	4,972,000
Notes from Direct Borrowings:					
General Obligation Water Revenue:					
Bond of 2009					
	11/17/2009	8/20/2039	2.936%	6,526,070	3,681,000
Bond of 2024					
	9/4/2024	8/20/2044	2.044%	932,859	932,859
Total Bonds				<u>32,413,938</u>	<u>25,649,697</u>
Unamortized Bond Discount				(18,184)	(3,839)
Compensated Absences Payable				-	379,535
Total Business-Type Activities				<u>\$ 32,395,754</u>	<u>\$ 26,025,393</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 3,087,057	\$ -	\$ 261,894	\$ 2,825,163	\$ 267,000
General Obligation Notes	626,000	-	52,000	574,000	53,000
Finance Purchase Agreement	-	89,492	16,523	72,969	17,184
Lease Liability	474,803	-	79,917	394,886	81,615
Compensated Absences Payable	374,646	168,384	-	543,030	259,233
Total	4,562,506	257,876	410,334	4,410,048	678,032
Business-Type Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	2,058,943	-	249,106	1,809,837	136,000
General Obligation Revenue Bonds	20,213,000	-	986,999	19,226,001	1,072,000
G.O. Notes from Direct Borrowings	3,874,000	932,859	193,000	4,613,859	251,873
Compensated Absences Payable	244,341	135,194	-	379,535	206,915
Unamortized Bond Discount	(5,051)	-	(1,212)	(3,839)	-
Total	26,385,233	1,068,053	1,427,893	26,025,393	1,666,788
Total Indebtedness	\$ 30,947,739	\$ 1,325,929	\$ 1,838,227	\$ 30,435,441	\$ 2,344,820

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

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

The City's outstanding notes from direct borrowings related to the Water Fund debt of \$4,613,859 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, 2024, is backed by the full faith and credit of the City, including special assessment bond issues.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 December 5, 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.

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, 2026 for governmental activities portion and February 1, 2029 for business-type activities. 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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

Description and Restrictions of Long-Term Debt (Continued)

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 and 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, 2044. The outstanding balance of the bonds bears interest of 4.00% 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.

2024 General Obligation Revenue Note – On September 4, 2024, the City issued a note to the Minnesota Public Facilities Authority for \$2,731,873. The total amount drawn on this note was \$932,859. The note has a final maturity of August 20, 2044. The outstanding balance of the note bears interest at 2.044% annually. The note was issued in connection with the financing of a drinking water project. Pledged revenues are expected to cover future principal and interest payments. Pledged revenue for the current year was \$159,350.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

Description and Restrictions of Long-Term Debt (Continued)

In 2024, the City entered into two finance purchase agreements one for \$43,111 and another for \$46,382 to acquire fleet cameras and tasers. The agreements are both set to end in 2028.

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		Finance Purchase Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 267,000	\$ 72,997	\$ 53,000	\$ 10,403	\$ 17,184	\$ -
2026	238,163	68,720	54,000	9,386	17,871	-
2027	210,000	64,620	55,000	8,351	18,586	-
2028	215,000	60,495	55,000	7,306	19,328	-
2029	220,000	56,258	57,000	6,242	-	-
2030-2034	715,000	220,600	300,000	14,440	-	-
2035-2039	505,000	133,797	-	-	-	-
2040-2044	455,000	35,665	-	-	-	-
Total	<u>\$ 2,825,163</u>	<u>\$ 713,152</u>	<u>\$ 574,000</u>	<u>\$ 56,128</u>	<u>\$ 72,969</u>	<u>\$ -</u>

Minimum annual principal and interest payments on the governmental activities lease liability are included in Note 6.

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
2025	\$ 136,000	\$ 25,313	\$ 1,072,000	\$ 724,315	\$ 251,873	\$ 133,694
2026	110,837	24,007	1,099,000	688,225	322,000	156,990
2027	138,000	22,590	1,128,000	650,742	330,000	148,580
2028	141,000	21,098	1,011,000	611,879	339,000	139,953
2029	144,000	19,511	1,035,000	575,689	347,000	131,088
2030-2034	410,000	81,480	5,030,000	2,304,700	1,878,000	514,144
2035-2039	440,000	49,540	4,371,000	1,333,849	2,138,000	254,247
2040-2044	290,000	8,800	2,735,000	616,304	807,000	50,160
2045-2049	-	-	1,745,001	142,700	-	-
Total	<u>\$ 1,809,837</u>	<u>\$ 252,339</u>	<u>\$ 19,226,001</u>	<u>\$ 7,648,403</u>	<u>\$ 6,412,873</u>	<u>\$ 1,528,856</u>

G.O. Notes from Direct Borrowings includes maturities of \$2,731,873 for 2024 General Obligation Revenue Note, however only \$932,859 has been drawn as of December 31, 2024.

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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 LEASES (CONTINUED)

Lessee (Continued)

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.

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

<u>Year Ending December 31,</u>	Governmental Activities	
	Principal	Interest
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	<u>\$ 394,886</u>	<u>\$ 24,817</u>

Lessor

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

The City, acting as lessor, entered into a long-term, noncancelable lease agreement on July 3, 2024, with Cubik Promotions, Inc., for the leasing of a 1,700 square foot premise. The lease will expire on June 3, 2027.

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.

During the year ended December 31, 2024, the City recognized \$65,093 and \$4,202 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>	Governmental Activities	
	Principal	Interest
2025	\$ 69,669	\$ 3,331
2026	71,624	1,376
2027	11,734	99
Total	<u>\$ 153,027</u>	<u>\$ 4,806</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

2. Police and Fire Plan Benefits

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

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

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$298,241. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$200,608. 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, 2024, the City reported a liability of \$1,704,640 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 \$44,078.

City's Proportionate Share of the Net Pension Liability	\$ 1,704,640
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	44,078
Total	<u><u>\$ 1,748,718</u></u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0461% at the end of the measurement period and .0493% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$127,684 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$546 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the state of Minnesota contributed \$170.1 million to the General Employees Fund. The state of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$78,429 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 160,281	\$ -
Changes in Actuarial Assumptions	8,323	645,178
Net Difference Between Projected and Actual Investment Earnings	-	495,013
Changes in Proportion	21,141	150,347
City Contributions Subsequent to the Measurement Date	149,300	-
Total	<u>\$ 339,045</u>	<u>\$ 1,290,538</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Fund Pension Costs (Continued)

The \$149,300 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>
2025	\$ (578,904)
2026	(132,266)
2027	(258,971)
2028	(130,652)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$1,034,969 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0787% at the end of the measurement period and 0.0820% for the beginning of the period.

The state of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$39,453.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$ 1,034,969
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	39,453
Total	<u><u>\$ 1,074,422</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$211,983 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$15,510 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$22,339 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 403,336	\$ -
Changes in Actuarial Assumptions	1,137,699	1,524,018
Net Difference Between Projected and Actual Investment Earnings	-	336,521
Changes in Proportion	77,249	62,520
City Contributions Subsequent to the Measurement Date	104,834	-
Total	<u><u>\$ 1,723,118</u></u>	<u><u>\$ 1,923,059</u></u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The \$104,834 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	City Pension Expense Amount
2025	\$ (49,601)
2026	279,498
2027	(146,837)
2028	(401,924)
2029	14,089

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	\$ 1,704,640	\$ 1,034,969	\$ -	\$ 2,739,609
Net Pension Asset	-	-	93,605	93,605
Deferred Outflows of Resources	339,045	1,723,118	93,592	2,155,755
Deferred Inflows of Resources	1,290,538	1,923,059	32,812	3,246,409
Pension Expense	128,230	227,493	(18,920)	336,803

E. Total Pension Expense

The total pension expense (revenue) for all plans recognized by the City for the year ended December 31, 2024, was \$336,803, which includes (\$18,920) for the volunteer firefighters relief association (additional information in Note 14).

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Long-Term Expected Return on Investment

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

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

G. Actuarial Methods and Assumptions

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

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, and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3.0% after 24 years of service.

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Actuarial Methods and Assumptions (Continued)

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

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

General Employee Fund

Changes in actuarial assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Plan

Changes in actuarial assumptions:

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

Changes in Plan Provisions:

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Discount Rate

The discount rate used to measure the total pension liability in 2024 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 position of the General Employees, and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

I. Pension Liability Sensitivity

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

Description	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's Proportionate Share of the General Employee Net Pension Liability	\$ 3,723,207	\$ 1,704,640	\$ 44,184
City's Proportionate Share of the Police and Fire Net Pension Liability	2,445,834	1,034,969	(123,646)

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 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (DEFINED CONTRIBUTION PLAN)

Four council members of the City are covered by the Defined Contribution Plan, a multiemployer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code (IRC) and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (DEFINED CONTRIBUTION PLAN) (CONTINUED)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and 0.25% of 1% of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,021	\$ 1,021	5%	5%	5%

NOTE 9 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 one 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, 2024**

NOTE 9 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 2024, the City contributed \$20,600 to the plan.

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2023 and rolled forward to January 1, 2024.

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.

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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

- 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, 2024	\$ 430,203
Changes for the Year:	
Service Cost	37,194
Interest	18,354
Benefit Payments	<u>(17,275)</u>
Net Change	<u>38,273</u>
Balance as of December 31, 2024	<u><u>\$ 468,476</u></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 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 507,687	\$ 468,476	\$ 431,931

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Health Care Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 410,037	\$ 468,476	\$ 538,179

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in Total OPEB Liability (Continued)

For the year ended December 31, 2024, the City recognized OPEB expense of (\$1,708). The OPEB liability is typically liquidated by the individual activity in which the employees costs are associated.

At December 31, 2024, the City reported deferred outflows and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Liability	\$ -	\$ 152,505
Changes in Actuarial Assumptions	11,092	47,294
Benefits Paid Subsequent to the Measurement Date	20,600	-
Total	<u>\$ 31,692</u>	<u>\$ 199,799</u>

\$20,600 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, 2025.

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>
2025	\$ (57,250)
2026	(36,973)
2027	(36,973)
2028	(36,972)
2029	(20,539)

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 INTERFUND

Due To/Due From

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

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 20,968
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	1,197
Airport	-	910
Enterprise Funds:		
Sewer Utility	657	12,712
Water Utility	1,168	4,621
Electric Utility	41,015	287
Municipal Liquor Store	-	1,516
Storm Sewer Utility	418	81
Internal Service Fund:		
Central Garage	-	966
Total	<u>\$ 43,258</u>	<u>\$ 43,258</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, 2024 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 567,785	\$ -
TIF #10-1 Runnings Redevelopment Fund	-	567,785
Total	<u>\$ 567,785</u>	<u>\$ 567,785</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, 2024**

NOTE 10 INTERFUND (CONTINUED)

Transfers

Individual fund transfers for fiscal year 2024 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 708,290	\$ (243,738)
Capital Projects Fund	158,440	(298,630)
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	(16,500)
Airport	5,000	(8,000)
Fire Equipment Replacement	60,000	-
Port Authority	298,630	(60,658)
Debt Service Funds:		
Ponderosa Business Park Bonds	60,658	-
Capital Projects Funds:		
Airport Projects Fund	15,000	-
Enterprise Funds:		
Sewer Utility	-	(76,836)
Water Utility	-	(115,298)
Electric Utility	-	(405,164)
Municipal Liquor Store	-	(120,000)
Storm Sewer Utility	-	(24,594)
Internal Service Funds:		
Central Garage	63,400	-
Total	<u>\$ 1,369,418</u>	<u>\$ (1,369,418)</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 11 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2024, the City made purchases of services and supplies from one related party business owned by a Council member totaling \$435.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2024, the City had active construction projects related to a variety of projects including various reconstructions of streets and a wastewater facility center. Total remaining commitments under these contracts were as follows at December 31, 2024:

General Fund	\$ 51,399
Airport Fund	444,950
Capital Projects Fund	1,061,557
Water Fund	163,764
Sewer Fund	5,809,454
Storm Sewer Fund	221,171
Electric Fund	79,638
Total Construction Commitments	<u><u>\$ 7,831,933</u></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, 2024.

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, 2024**

NOTE 13 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 \$1,539,873 for the year ended December 31, 2024.

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

Beginning of the Year Liability, January 1, 2024	\$ 8,948
Incurred Claims	1,538,189
Claims Paid	<u>(1,543,333)</u>
End of the Year Liability, December 31, 2024	<u><u>\$ 3,804</u></u>
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><u>\$ 8,948</u></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, 2024**

NOTE 14 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, 2024, membership includes 31 active participants and one retiree 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 (the Association) shall become permanently or totally disabled, the Association shall pay the sum of \$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, 2024**

NOTE 14 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 \$67,065 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. There was a statutorily required contribution to the plan for the year ended December 31, 2024 totaling \$16,008.

D. Pension Costs

At December 31, 2024, the City reported an asset of \$93,605 for the Association's net pension asset. The net pension asset was measured as of December 31, 2023, 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 (\$18,920) for the year ended December 31, 2024. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,485	\$ 19,636
Changes in Actuarial Assumptions	11,135	13,176
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	79,972	-
Total	<u>\$ 93,592</u>	<u>\$ 32,812</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 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>
2025	\$ 20,117
2026	29,568
2027	31,690
2028	(17,691)
2029	(2,904)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
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 the same as the prior year. The benefit level also stayed the same at \$3,450.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 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, 2024 are summarized in the following table:

Asset Class	Allocation at January 1, 2024	Long-Term Expected Real Rate of Return
Cash	10.0 %	2.00 %
Fixed Income	39.0	3.90
Equities	51.0	8.10
Total	100.0 %	5.75 %

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 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Asset	\$ (73,503)	\$ (93,605)	\$ (113,065)
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, 2024**

NOTE 14 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:

	December 31, 2023 <u>Measurement Date</u>
Total Pension Liability:	
Service Cost	\$ 43,240
Interest	69,049
Benefit Payments	<u>(141,438)</u>
Net Change in Total Pension Liability	(29,149)
 Total Pension Liability - Beginning of Year	 <u>1,228,333</u>
 Total Pension Liability - End of Year (a)	 1,199,184
 Plan Fiduciary Net Position:	
Nonemployer Contributions	57,876
Net Investment Income	68,984
Gain or Loss	65,858
Benefit Payments	<u>(141,438)</u>
Net Change in Fiduciary Net Position	51,280
 Fiduciary Net Position - Beginning of Year	 <u>1,241,509</u>
 Fiduciary Net Position - End of Year (b)	 <u>1,292,789</u>
 Association's Net Pension Asset - End of Year (a) - (b)	 <u><u>\$ (93,605)</u></u>

NOTE 15 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. During 2024, the conduit debt was paid off.

NOTE 16 SUMMARY OF OTHER ITEMS

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The City estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the City. No liability or provision for loss has been recorded in the December 31, 2024 financial statements in relation to these matters.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 17 TAX ABATEMENTS

The City established a municipal redevelopment district in 2014 as authorized under Minnesota Statutes §§ 469.124 through 469.134. The Redevelopment TIF District permits the City to assist virtually any type of development or redevelopment project within the boundaries of the TIF District, as long as assistance aids in the removal of blighting conditions. The District has a maximum life of 25 years from the receipt of the first tax increment; that is, 26 TIF collections. The TIF revenues are paid to the City through the property tax collection process. Ninety percent (90%) of the tax increments generated from the TIF District must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. For the year ended December 31, 2024, the City paid excess tax increment in the amount of \$70,246. 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, 2024. 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 \$21,183 for the year ending December 31, 2024.

- 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 \$4,231.
- The City's share of the real property taxes generated from a housing project for a term of 18 years. The abatement amounted to \$13,952.
- The City's share of the real property taxes generated from a childcare facility project for a term of 15 years. The abatement amounted to \$3,000.

As of December 31, 2024, 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,						
	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:							
Service Cost	\$ 37,194	\$ 36,111	\$ 54,008	\$ 52,435	\$ 38,477	\$ 37,356	\$ 45,642
Interest	18,354	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	(17,275)	(23,012)	(15,464)	(25,338)	(23,697)	(30,801)	(25,251)
Net Change in Total OPEB Liability	38,273	(119,223)	49,471	(80,753)	36,477	(113,003)	41,793
Total OPEB Liability - Beginning	430,203	549,426	499,955	580,708	544,231	657,234	615,441
Total OPEB Liability - Ending	<u>\$ 468,476</u>	<u>\$ 430,203</u>	<u>\$ 549,426</u>	<u>\$ 499,955</u>	<u>\$ 580,708</u>	<u>\$ 544,231</u>	<u>\$ 657,234</u>
Covered Employee Payroll	\$ 4,522,080	\$ 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%	10%	13%	12%	14%	14%	16%

Notes to Schedule:

No assets are accumulated in a trust.

* This schedule is intended to show information for 10 years. Additional year's information will be displayed as it becomes available.

See accompanying Notes to Required Supplementary Information.

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,			
	2024	2023	2022	2021
City - General Employee Plan:				
City's Proportion of the Net Pension Liability	0.0461%	0.0493%	0.0486%	0.0486%
City's Proportionate Share of the Net Pension Liability	\$ 1,704,640	\$ 2,756,801	\$ 3,849,135	\$ 2,075,438
State's Proportionate Share of the Pension Liability Associated with the City	44,078	75,907	113,015	63,400
City's Total Net Pension Liability - General Employee Plan	<u>\$ 1,748,718</u>	<u>\$ 2,832,708</u>	<u>\$ 3,962,150</u>	<u>\$ 2,138,838</u>
City's Covered Payroll	\$ 3,902,491	\$ 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	43.68%	70.37%	105.56%	59.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.70%	87.00%
City - Police and Fire Plan:				
City's Proportion of the Net Pension Liability	0.0787%	0.0820%	0.0780%	0.0742%
City's Proportionate Share of the Net Pension Liability	\$ 1,034,969	\$ 1,416,033	\$ 3,394,252	\$ 572,745
State's Proportionate Share of the Pension Liability Associated with the City	39,453	57,037	148,280	25,737
City's Total Net Pension Liability - Police and Fire Plan	<u>\$ 1,074,422</u>	<u>\$ 1,473,070</u>	<u>\$ 3,542,532</u>	<u>\$ 598,482</u>
City's Covered Payroll	\$ 1,089,353	\$ 1,077,205	\$ 947,114	\$ 876,895
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	95.01%	131.45%	358.38%	65.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	86.50%	70.50%	93.66%

See accompanying Notes to Required Supplementary Information.

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

	June 30,				
2020	2019	2018	2017	2016	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	-
<u>\$ 2,935,543</u>	<u>\$ 2,804,654</u>	<u>\$ 3,042,499</u>	<u>\$ 3,464,794</u>	<u>\$ 4,408,893</u>	<u>\$ 2,767,466</u>
\$ 3,385,893	\$ 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	-	-	-	-	-
<u>\$ 974,092</u>	<u>\$ 819,742</u>	<u>\$ 732,271</u>	<u>\$ 999,088</u>	<u>\$ 3,130,276</u>	<u>\$ 874,900</u>
\$ 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%

See accompanying Notes to Required Supplementary Information.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
City - General Employee Plan:				
Statutorily Required Contribution	\$ 298,241	\$ 287,973	\$ 279,257	\$ 268,390
Contributions in Relation to the Statutorily Required Contribution	<u>(298,241)</u>	<u>(287,973)</u>	<u>(279,257)</u>	<u>(268,390)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's Covered Payroll	\$ 3,976,547	\$ 3,839,640	\$ 3,723,427	\$ 3,578,533
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
City - Police and Fire Plan:				
Statutorily Required Contribution	\$ 200,608	\$ 188,415	\$ 175,026	\$ 163,727
Contributions in Relation to the Statutorily Required Contribution	<u>(200,608)</u>	<u>(188,415)</u>	<u>(175,026)</u>	<u>(163,727)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's Covered Payroll	\$ 1,133,379	\$ 1,064,492	\$ 988,847	\$ 925,009
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%

See accompanying Notes to Required Supplementary Information.

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 265,431	\$ 256,110	\$ 265,811	\$ 265,404	\$ 254,391	\$ 242,627
<u>(265,431)</u>	<u>(256,110)</u>	<u>(265,811)</u>	<u>(265,404)</u>	<u>(254,391)</u>	<u>(242,627)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,539,080	\$ 3,414,800	\$ 3,544,147	\$ 3,538,720	\$ 3,391,880	\$ 3,215,297
7.50%	7.50%	7.50%	7.50%	7.50%	7.55%
\$ 152,265	\$ 140,334	\$ 122,905	\$ 122,382	\$ 122,796	\$ 117,065
<u>(152,265)</u>	<u>(140,334)</u>	<u>(122,905)</u>	<u>(122,382)</u>	<u>(122,796)</u>	<u>(117,065)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 860,254	\$ 866,259	\$ 758,673	\$ 755,444	\$ 758,000	\$ 716,591
17.70%	16.20%	16.20%	16.20%	16.20%	16.34%

See accompanying Notes to Required Supplementary Information.

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

Measurement Date	December 31,			
	2023	2022	2021	2020
Total Pension Liability:				
Service Cost	\$ 43,240	\$ 51,526	\$ 47,222	\$ 43,185
Interest	69,049	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	(141,438)	3,481	-	(23,264)
Net Change in Total Pension Liability	(29,149)	130,488	146,710	28,399
Total Pension Liability - Beginning of Year	1,228,333	1,097,845	951,135	922,736
Total Pension Liability - End of Year (a)	1,199,184	1,228,333	1,097,845	951,135
Plan Fiduciary Net Position:				
Municipal Contributions	-	-	-	33,000
Nonemployer Contributions	57,876	50,639	49,348	48,968
Net Investment Income	68,984	69,672	63,253	64,325
Gain or Loss	65,858	(246,919)	15,133	47,212
Benefit Payments	(141,438)	-	-	(61,659)
Net Change in Fiduciary Net Position	51,280	(126,608)	127,734	131,846
Fiduciary Net Position - Beginning of Year	1,241,509	1,368,117	1,240,383	1,108,537
Fiduciary Net Position - End of Year (b)	1,292,789	1,241,509	1,368,117	1,240,383
Association's Net Pension Asset - End of Year (a) - (b)	<u>\$ (93,605)</u>	<u>\$ (13,176)</u>	<u>\$ (270,272)</u>	<u>\$ (289,248)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	107.81%	101.07%	124.62%	130.41%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

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

December 31,					
2019	2018	2017	2016	2015	2014
\$ 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)	-	-
29,761	111,551	78,140	20,698	(108,518)	83,381
892,975	781,424	703,284	682,586	791,104	707,723
922,736	892,975	781,424	703,284	682,586	791,104
-	-	-	-	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)	-
159,261	1,016	95,098	35,966	(156,124)	129,488
949,276	948,260	853,162	817,196	973,320	843,832
1,108,537	949,276	948,260	853,162	817,196	973,320
<u>\$ (185,801)</u>	<u>\$ (56,301)</u>	<u>\$ (166,836)</u>	<u>\$ (149,878)</u>	<u>\$ (134,610)</u>	<u>\$ (182,216)</u>
120.14%	106.30%	121.35%	121.31%	119.72%	123.03%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES				
Taxes:				
Current and Delinquent Property Tax	\$ 2,987,332	\$ 2,987,332	\$ 2,994,115	\$ 6,783
Franchise Tax	170,400	170,400	154,881	(15,519)
Hotel and Motel Tax	35,000	35,000	53,854	18,854
Total Taxes	3,192,732	3,192,732	3,202,850	10,118
Intergovernmental:				
Local Government Aid	2,040,707	2,040,707	2,041,133	426
General Government	-	-	2,693	2,693
Public Safety	398,727	398,727	248,613	(150,114)
Culture and Recreation	-	-	1,207	1,207
Highway	91,341	91,341	109,188	17,847
Total Intergovernmental	2,530,775	2,530,775	2,402,834	(127,941)
Charges for Services:				
Fire Protection	105,102	105,102	109,352	4,250
Swimming Pool Fees and Concessions	168,000	168,000	170,223	2,223
Park Fees	78,250	78,250	88,386	10,136
Administration Fees	450	450	210	(240)
Miscellaneous General Government				
Charges for Service	27,090	27,090	27,155	65
Recreation Fees	117,000	117,000	134,297	17,297
Community Center	451,900	451,900	482,319	30,419
Total Charges for Services	947,792	947,792	1,011,942	64,150
Fees, Licenses, and Permits:				
Business	30,150	30,150	31,281	1,131
Nonbusiness	83,150	83,150	294,950	211,800
Total Fees, Licenses, and Permits	113,300	113,300	326,231	212,931
Fines and Forfeits	31,000	31,000	27,201	(3,799)
Investment Earnings	104,100	104,100	177,736	73,636
Miscellaneous	109,150	109,150	105,043	(4,107)
Contributions	11,000	11,000	16,298	5,298
Total Revenues	7,039,849	7,039,849	7,270,135	230,286

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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES				
General Government:				
Mayor and Council:				
Current:				
Personal Services	\$ 32,051	\$ 32,051	\$ 32,350	\$ 299
Materials and Supplies	325	325	82	(243)
Other Services and Charges	2,079	2,079	929	(1,150)
Total Mayor and Council	<u>34,455</u>	<u>34,455</u>	<u>33,361</u>	<u>(1,094)</u>
City Administration:				
Current:				
Personal Services	249,689	249,689	251,823	2,134
Materials and Supplies	5,160	5,160	5,181	21
Other Services and Charges	61,587	61,587	46,387	(15,200)
Total City Administration	<u>316,436</u>	<u>316,436</u>	<u>303,391</u>	<u>(13,045)</u>
Elections:				
Current:				
Personal Services	4,920	4,920	6,708	1,788
Materials and Supplies	903	903	1,408	505
Other Services and Charges	238	238	262	24
Total Elections	<u>6,061</u>	<u>6,061</u>	<u>8,378</u>	<u>2,317</u>
Finance Department:				
Current:				
Personal Services	287,879	287,879	287,172	(707)
Materials and Supplies	9,150	9,150	4,939	(4,211)
Other Services and Charges	128,395	128,395	131,285	2,890
Total Finance Department	<u>425,424</u>	<u>425,424</u>	<u>423,396</u>	<u>(2,028)</u>
Management Information Systems:				
Current:				
Materials and Supplies	77,100	77,100	39,503	(37,597)
Other Services and Charges	284,656	284,656	272,862	(11,794)
Total Management Information Systems	<u>361,756</u>	<u>361,756</u>	<u>312,365</u>	<u>(49,391)</u>
Legal:				
Current:				
Personal Services	127,652	127,652	127,017	(635)
Materials and Supplies	660	660	335	(325)
Other Services and Charges	10,756	10,756	10,005	(751)
Total Legal	<u>139,068</u>	<u>139,068</u>	<u>137,357</u>	<u>(1,711)</u>

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
General Government (Continued):				
Buildings and Grounds:				
Current:				
Personal Services	\$ 16,022	\$ 16,022	\$ 15,426	\$ (596)
Other Services and Charges	20	20	14	(6)
Total Buildings and Grounds	<u>16,042</u>	<u>16,042</u>	<u>15,440</u>	<u>(602)</u>
Total General Government	1,299,242	1,299,242	1,233,688	(65,554)
Public Safety:				
Police:				
Current:				
Personal Services	1,869,495	1,869,495	1,924,588	55,093
Materials and Supplies	88,605	88,605	133,055	44,450
Other Services and Charges	302,629	302,629	265,191	(37,438)
Capital Outlay	<u>64,900</u>	<u>64,900</u>	<u>70,728</u>	<u>5,828</u>
Total Police	<u>2,325,629</u>	<u>2,325,629</u>	<u>2,393,562</u>	<u>67,933</u>
Fire Department:				
Current:				
Personal Services	71,759	71,759	84,758	12,999
Materials and Supplies	40,000	40,000	35,184	(4,816)
Other Services and Charges	134,725	134,725	172,348	37,623
Capital Outlay	<u>-</u>	<u>-</u>	<u>5,125</u>	<u>5,125</u>
Total Fire Department	<u>246,484</u>	<u>246,484</u>	<u>297,415</u>	<u>50,931</u>
Protective Inspections:				
Current:				
Personal Services	111,128	111,128	101,196	(9,932)
Materials and Supplies	1,400	1,400	849	(551)
Other Services and Charges	<u>13,107</u>	<u>13,107</u>	<u>107,688</u>	<u>94,581</u>
Total Protective Inspections	<u>125,635</u>	<u>125,635</u>	<u>209,733</u>	<u>84,098</u>
Total Public Safety	2,697,748	2,697,748	2,900,710	202,962
Highways and Streets:				
Public Works Project Coordinator:				
Current:				
Personal Services	36,847	36,847	36,609	(238)
Materials and Supplies	1,100	1,100	321	(779)
Other Services and Charges	<u>6,087</u>	<u>6,087</u>	<u>4,829</u>	<u>(1,258)</u>
Total Public Works Project Coordinator	<u>44,034</u>	<u>44,034</u>	<u>41,759</u>	<u>(2,275)</u>

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
Highways and Streets (Continued):				
Streets and Alleys:				
Current:				
Personal Services	\$ 387,633	\$ 387,633	\$ 367,369	\$ (20,264)
Materials and Supplies	239,100	239,100	163,306	(75,794)
Other Services and Charges	779,994	779,994	662,453	(117,541)
Total Streets and Alleys	<u>1,406,727</u>	<u>1,406,727</u>	<u>1,193,128</u>	<u>(213,599)</u>
Total Highways and Streets	1,450,761	1,450,761	1,234,887	(215,874)
Culture and Recreation:				
Parks and Recreation:				
Current:				
Personal Services	1,018,515	1,018,515	1,012,111	(6,404)
Materials and Supplies	105,000	105,000	109,715	4,715
Other Services and Charges	<u>643,546</u>	<u>643,546</u>	<u>612,131</u>	<u>(31,415)</u>
Total Parks and Recreation	<u>1,767,061</u>	<u>1,767,061</u>	<u>1,733,957</u>	<u>(33,104)</u>
Pool:				
Current:				
Personal Services	138,632	138,632	133,198	(5,434)
Materials and Supplies	45,350	45,350	40,804	(4,546)
Other Services and Charges	<u>62,000</u>	<u>62,000</u>	<u>40,710</u>	<u>(21,290)</u>
Total Pool	<u>245,982</u>	<u>245,982</u>	<u>214,712</u>	<u>(31,270)</u>
Total Culture and Recreation	2,013,043	2,013,043	1,948,669	(64,374)
Economic Development:				
Current:				
Other Services and Charges	91,232	91,232	86,109	(5,123)
Debt Service:				
Principal	-	-	96,440	96,440
Interest	-	-	11,615	11,615
Total Debt Service	<u>-</u>	<u>-</u>	<u>108,055</u>	<u>108,055</u>
Total Expenditures	<u>7,552,026</u>	<u>7,552,026</u>	<u>7,512,118</u>	<u>(39,908)</u>
REVENUES (UNDER) EXPENDITURES	(512,177)	(512,177)	(241,983)	270,194

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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 708,290	\$ 708,290	\$ 708,290	\$ -
Transfers Out	(173,798)	(173,798)	(243,738)	(69,940)
Finance Purchase Obligation	-	-	89,492	89,492
Total Other Financing Sources (Uses)	<u>534,492</u>	<u>534,492</u>	<u>554,044</u>	<u>19,552</u>
CHANGE IN FUND BALANCE	<u>\$ 22,315</u>	<u>\$ 22,315</u>	312,061	<u>\$ 289,746</u>
Fund Balance - Beginning of Year			<u>6,160,926</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,472,987</u>	

See accompanying Notes to Required Supplementary Information.

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

NOTE 1 BUDGETS

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

NOTE 2 LEGAL COMPLIANCE – BUDGETS

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

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

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

2024 Changes

Changes in Actuarial Assumptions:

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

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

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

A. General Employees Fund (Continued)

2024 Changes

Changes in Actuarial Assumptions (Continued):

- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

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

2023 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.5% 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.

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

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

A. General Employees Fund (Continued)

2021 Changes (Continued)

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.

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.

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

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

A. General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

A. General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

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

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

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

A. General Employees Fund (Continued)

2015 Changes (Continued)

Changes in Plan Provisions:

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

B. Police and Fire Fund

2024 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2023 Changes

Changes in Actuarial Assumptions:

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

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% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, noncompounding benefit increase of 3.0% will be payable in a lump-sum for calendar year 2024 by March 31, 2024.

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

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

B. Police and Fire Fund (Continued)

2023 Changes (Continued)

Changes in Plan Provisions (Continued):

- 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.

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.

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

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

B. Police and Fire Fund (Continued)

2021 Changes (Continued)

Changes in Actuarial Assumptions (Continued):

- 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.

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.

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

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

B. Police and Fire Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued):

- 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%.
- 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.

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

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 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%.

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

2024 Changes

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

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

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

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, 2024**

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 (CONTINUED)
DECEMBER 31, 2024**

	Special Revenue		
	Library	Airport	Port Authority
ASSETS			
Cash and Investments	\$ 325,937	\$ 96,799	\$ 227,471
Accounts Receivable, Net	894	9,395	-
Property Taxes Receivable	10,261	-	1,900
Accrued Interest Receivable	367	-	-
Due from Other Governments	-	7,502	-
Prepaid Items	1,857	40,800	861
Property Held for Resale	-	-	2,786,850
Notes Receivable	-	-	-
Lease Receivable	-	153,027	-
Total Assets	<u>\$ 339,316</u>	<u>\$ 307,523</u>	<u>\$ 3,017,082</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,551	\$ 2,531	\$ 879
Contracts Payable	-	-	-
Accrued Salaries and Fringes	8,183	1,692	868
Advances from Other Funds	-	-	-
Due to Other Funds	1,197	910	-
Due to Other Governments	20	-	-
Deposits Payable	-	-	10,000
Unearned Revenue	-	8,339	-
Total Liabilities	<u>14,951</u>	<u>13,472</u>	<u>11,747</u>
DEFERRED INFLOWS OF RESOURCES			
Lease Related	-	139,015	-
Unavailable Revenue - Taxes and Specials	5,313	-	968
Unavailable Revenue - Notes	-	-	-
Unavailable Revenue - Grants and Other	579	10,912	-
Total Deferred Inflows of Resources	<u>5,892</u>	<u>149,927</u>	<u>968</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid Items	1,857	40,800	861
Property Held for Resale	-	-	2,786,850
Assigned to:			
Airport Projects	-	-	-
Restricted for:			
Debt Service	-	-	-
Port Authority	-	-	216,656
Library	316,616	-	-
Revolving Loans	-	-	-
Committed	-	103,324	-
Unassigned	-	-	-
Total Fund Balances (Deficit)	<u>318,473</u>	<u>144,124</u>	<u>3,004,367</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 339,316</u>	<u>\$ 307,523</u>	<u>\$ 3,017,082</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2024**

Special Revenue (Continued)				
Revolving Loan	Downtown Loan Program	TIF #10-1 Runnings Redevelopment	Fire Equipment Replacement	Special Revenue Subtotal
\$ 333,772	\$ 54,096	\$ -	\$ 460,286	\$ 1,498,361
-	-	-	-	10,289
-	-	-	3,378	15,539
2,158	100	-	-	2,625
-	-	-	21,871	29,373
-	-	-	69	43,587
-	-	-	-	2,786,850
281,500	130,133	-	-	411,633
-	-	-	-	153,027
<u>\$ 617,430</u>	<u>\$ 184,329</u>	<u>\$ -</u>	<u>\$ 485,604</u>	<u>\$ 4,951,284</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,961
-	-	-	-	-
-	-	-	-	10,743
-	-	567,785	-	567,785
-	-	-	-	2,107
-	-	-	-	20
-	-	-	-	10,000
-	-	-	55,935	64,274
-	-	567,785	55,935	663,890
-	-	-	-	139,015
-	-	-	1,703	7,984
-	130,133	-	-	130,133
-	-	-	-	11,491
-	130,133	-	1,703	288,623
-	-	-	69	43,587
-	-	-	-	2,786,850
-	-	-	-	-
-	-	-	-	-
-	-	-	-	216,656
-	-	-	-	316,616
617,430	54,196	-	-	671,626
-	-	-	427,897	531,221
-	-	(567,785)	-	(567,785)
<u>617,430</u>	<u>54,196</u>	<u>(567,785)</u>	<u>427,966</u>	<u>3,998,771</u>
<u>\$ 617,430</u>	<u>\$ 184,329</u>	<u>\$ -</u>	<u>\$ 485,604</u>	<u>\$ 4,951,284</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2024**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Drew Street Bonds
ASSETS			
Cash and Investments	\$ 1,706	\$ 5,887	\$ 76,415
Accounts Receivable	-	-	-
Property Taxes Receivable	370	-	3,190
Accrued Interest Receivable	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	25
Property Held for Resale	-	-	-
Notes Receivable	-	-	-
Lease Receivable	-	-	-
Total Assets	<u>\$ 2,076</u>	<u>\$ 5,887</u>	<u>\$ 79,630</u>
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	336	-	1,483
Unavailable Revenue - Notes	-	-	-
Unavailable Revenue - Grants	-	-	-
Total Deferred Inflows of Resources	<u>336</u>	<u>-</u>	<u>1,483</u>
FUND BALANCES			
Nonspendable:			
Prepaid Items	-	-	25
Property Held for Resale	-	-	-
Assigned to:			
Airport Projects	-	-	-
Restricted for:			
Debt Service	1,740	5,887	78,122
Port Authority	-	-	-
Library	-	-	-
Revolving Loans	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,740</u>	<u>5,887</u>	<u>78,147</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,076</u>	<u>\$ 5,887</u>	<u>\$ 79,630</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2024**

Debt Service Subtotal	<u>Capital Projects</u>	
	Airport Project	Total
\$ 84,008	\$ 110,175	\$ 1,692,544
-	-	10,289
3,560	-	19,099
-	-	2,625
-	47,025	76,398
25	-	43,612
-	-	2,786,850
-	-	411,633
-	-	153,027
<u>\$ 87,593</u>	<u>\$ 157,200</u>	<u>\$ 5,196,077</u>
\$ -	\$ 18,940	\$ 27,901
-	22,950	22,950
-	-	10,743
-	-	567,785
-	-	2,107
-	-	20
-	-	10,000
-	-	64,274
-	41,890	705,780
-	-	139,015
1,819	-	9,803
-	-	130,133
-	17,100	28,591
<u>1,819</u>	<u>17,100</u>	<u>307,542</u>
25	-	43,612
-	-	2,786,850
-	98,210	98,210
85,749	-	85,749
-	-	216,656
-	-	316,616
-	-	671,626
-	-	531,221
-	-	(567,785)
<u>85,774</u>	<u>98,210</u>	<u>4,182,755</u>
<u>\$ 87,593</u>	<u>\$ 157,200</u>	<u>\$ 5,196,077</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024**

	Special Revenue		
	Library	Airport	Port Authority
REVENUES			
Local Tax Levies	\$ 429,554	\$ -	\$ 81,146
Intergovernmental	41,694	37,842	53
Charges for Services	5,688	365,581	46,126
Fines and Forfeits	3,408	-	-
Investment Earnings	8,038	6,087	5,426
Contributions	17,257	-	-
Miscellaneous	6,618	2,311	189
Total Revenues	512,257	411,821	132,940
EXPENDITURES			
Current:			
Public Safety	-	-	-
Culture and Recreation	500,530	-	-
Economic Development	-	-	83,117
Airport	-	384,291	-
Capital Outlay	5,439	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Fiscal Agent Fees	-	-	-
Total Expenditures	505,969	384,291	83,117
EXCESS REVENUES OVER (UNDER) EXPENDITURES	6,288	27,530	49,823
OTHER FINANCING SOURCES (USES)			
Transfers In	-	5,000	298,630
Transfers Out	(16,500)	(8,000)	(60,658)
Sale of Assets	-	-	45,373
Total Other Financing Sources (Uses)	(16,500)	(3,000)	283,345
CHANGE IN FUND BALANCES	(10,212)	24,530	333,168
Fund Balances (Deficit) - Beginning of Year	328,685	119,594	2,671,199
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 318,473</u>	<u>\$ 144,124</u>	<u>\$ 3,004,367</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Special Revenue (Continued)				
Revolving Loan	Downtown Loan Program	TIF #10-1 Runnings Redevelopment	Fire Equipment Replacement	Special Revenue Subtotal
\$ -	\$ -	\$ 70,246	\$ 145,911	\$ 726,857
-	273,463	-	54,994	408,046
-	-	-	-	417,395
-	-	-	-	3,408
10,223	1,561	-	10,267	41,602
-	-	-	-	17,257
-	5,200	-	-	14,318
10,223	280,224	70,246	211,172	1,628,883
-	-	-	44,498	44,498
-	-	-	-	500,530
3,526	273,467	307	-	360,417
-	-	-	-	384,291
-	-	-	-	5,439
-	-	-	130,000	130,000
-	-	18,198	10,219	28,417
-	-	-	456	456
3,526	273,467	18,505	185,173	1,454,048
6,697	6,757	51,741	25,999	174,835
-	-	-	60,000	363,630
-	-	-	-	(85,158)
-	-	-	500	45,873
-	-	-	60,500	324,345
6,697	6,757	51,741	86,499	499,180
610,733	47,439	(619,526)	341,467	3,499,591
\$ 617,430	\$ 54,196	\$ (567,785)	\$ 427,966	\$ 3,998,771

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Drew Street Bonds
REVENUES			
Local Tax Levies	\$ 756	\$ -	\$ 151,287
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Investment Earnings	249	3	-
Contributions	-	-	-
Miscellaneous	-	-	-
Total Revenues	1,005	3	151,287
EXPENDITURES			
Current:			
Public Safety	-	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	-
Airport	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	39,894	57,000	35,000
Interest	499	585	65,913
Fiscal Agent Fees	12	-	468
Total Expenditures	40,405	57,585	101,381
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(39,400)	(57,582)	49,906
OTHER FINANCING SOURCES (USES)			
Transfers In	-	60,658	-
Transfers Out	-	-	-
Sale of Assets	-	-	-
Total Other Financing Sources (Uses)	-	60,658	-
CHANGE IN FUND BALANCES	(39,400)	3,076	49,906
Fund Balances - Beginning of Year	41,140	2,811	28,241
FUND BALANCES - END OF YEAR	<u>\$ 1,740</u>	<u>\$ 5,887</u>	<u>\$ 78,147</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Debt Service Subtotal	<u>Capital Projects</u>	
	Airport Project	Total
\$ 152,043	\$ -	\$ 878,900
-	140,268	548,314
-	-	417,395
-	-	3,408
252	3,678	45,532
-	-	17,257
-	-	14,318
<u>152,295</u>	<u>143,946</u>	<u>1,925,124</u>
-	-	44,498
-	-	500,530
-	-	360,417
-	47,959	432,250
-	68,272	73,711
131,894	-	261,894
66,997	-	95,414
480	-	936
<u>199,371</u>	<u>116,231</u>	<u>1,769,650</u>
(47,076)	27,715	155,474
60,658	15,000	439,288
-	-	(85,158)
-	-	45,873
<u>60,658</u>	<u>15,000</u>	<u>400,003</u>
13,582	42,715	555,477
<u>72,192</u>	<u>55,495</u>	<u>3,627,278</u>
<u>\$ 85,774</u>	<u>\$ 98,210</u>	<u>\$ 4,182,755</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF NET POSITION —
INTERNAL SERVICE FUNDS
DECEMBER 31, 2024**

	Central Garage Fund	Self- Insurance Fund	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 273,231	\$ 60,912	\$ 334,143
Accounts Receivable, Net	130	-	130
Due from Other Governmental Units	585	-	585
Prepaid Items	4,830	-	4,830
Total Current Assets	<u>278,776</u>	<u>60,912</u>	<u>339,688</u>
Capital Assets:			
Land	51,900	-	51,900
Buildings and Improvements	1,395,395	-	1,395,395
Machinery and Equipment	5,316,286	-	5,316,286
Total Capital Assets	<u>6,763,581</u>	<u>-</u>	<u>6,763,581</u>
Less: Accumulated Depreciation	<u>(3,170,095)</u>	<u>-</u>	<u>(3,170,095)</u>
Net Capital Assets	<u>3,593,486</u>	<u>-</u>	<u>3,593,486</u>
Total Assets	<u>3,872,262</u>	<u>60,912</u>	<u>3,933,174</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	6,412	-	6,412
Other Postemployment Benefits Related	493	-	493
Total Deferred Outflows of Resources	<u>6,905</u>	<u>-</u>	<u>6,905</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	17,154	3,804	20,958
Due to Other Funds	966	-	966
Accrued Salaries and Fringes	2,436	-	2,436
Accrued Interest Payable	4,534	-	4,534
Current Portion of Compensated Absences	2,330	-	2,330
Current Portion of Other Postemployment Benefits Liability	321	-	321
Current Portion of Bonds Payable	53,000	-	53,000
Total Current Liabilities	<u>80,741</u>	<u>3,804</u>	<u>84,545</u>
Noncurrent Liabilities:			
Compensated Absences	2,629	-	2,629
Other Postemployment Benefits Liability	4,508	-	4,508
Net Pension Liability	32,239	-	32,239
Bonds Payable - Long-Term	521,000	-	521,000
Total Noncurrent Liabilities	<u>560,376</u>	<u>-</u>	<u>560,376</u>
Total Liabilities	<u>641,117</u>	<u>3,804</u>	<u>644,921</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	24,407	-	24,407
Other Postemployment Benefits Related	3,201	-	3,201
Total Deferred Inflows of Resources	<u>27,608</u>	<u>-</u>	<u>27,608</u>
NET POSITION			
Net Investment in Capital Assets	3,019,486	-	3,019,486
Unrestricted	190,956	57,108	248,064
Total Net Position	<u>\$ 3,210,442</u>	<u>\$ 57,108</u>	<u>\$ 3,267,550</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS —
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2024**

	Central Garage Fund	Self- Insurance Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 728,166	\$ 1,514,545	\$ 2,242,711
Miscellaneous	1,864	-	1,864
Total Operating Revenues	<u>730,030</u>	<u>1,514,545</u>	<u>2,244,575</u>
OPERATING EXPENSES			
Personnel Services	103,657	-	103,657
Professional Services	53,687	-	53,687
Supplies	256,858	-	256,858
Depreciation	413,489	-	413,489
Benefits or Claims	-	1,539,873	1,539,873
Miscellaneous	2,712	-	2,712
Total Operating Expenses	<u>830,403</u>	<u>1,539,873</u>	<u>2,370,276</u>
OPERATING LOSS	(100,373)	(25,328)	(125,701)
OTHER INCOME (EXPENSE)			
Intergovernmental Revenues	1,623	-	1,623
Investment Earnings	7,751	1,524	9,275
Interest Expense	(10,989)	-	(10,989)
Gain on Sale of Capital Assets	36,828	-	36,828
Total Other Income	<u>35,213</u>	<u>1,524</u>	<u>36,737</u>
LOSS BEFORE TRANSFERS	(65,160)	(23,804)	(88,964)
Transfers In	<u>63,400</u>	<u>-</u>	<u>63,400</u>
CHANGE IN NET POSITION	(1,760)	(23,804)	(25,564)
Net Position - Beginning of Year	<u>3,212,202</u>	<u>80,912</u>	<u>3,293,114</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,210,442</u></u>	<u><u>\$ 57,108</u></u>	<u><u>\$ 3,267,550</u></u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS —
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2024**

	Central Garage Fund	Self- Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 733,002	\$ 1,546,689	\$ 2,279,691
Cash Paid to Suppliers	(312,257)	(1,545,017)	(1,857,274)
Cash Paid to Employees	(122,761)	-	(122,761)
Unrestricted Donations and Grant Revenues	1,623	-	1,623
Net Cash Flows Provided by Operating Activities	299,607	1,672	301,279
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	63,400	-	63,400
Due To Other Funds	(894)	-	(894)
Net Cash Flows Provided by Noncapital Financing Activities	62,506	-	62,506
CASH FLOWS FROM CAPITAL AND RELATED			
Purchase of Capital Assets	(461,459)	-	(461,459)
Principal Paid on Bonds	(52,000)	-	(52,000)
Interest, Paying Agent Fees	(11,400)	-	(11,400)
Net Cash Flows Used by Capital and Related Financing Activities	(524,859)	-	(524,859)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	7,751	1,524	9,275
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(154,995)	3,196	(151,799)
Cash and Cash Equivalents - Beginning of Year	428,226	57,716	485,942
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 273,231</u>	<u>\$ 60,912</u>	<u>\$ 334,143</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Loss	\$ (100,373)	\$ (25,328)	\$ (125,701)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided by Operating Activities:			
Depreciation	413,489	-	413,489
Operating Grants and Miscellaneous Revenue	1,623	-	1,623
(Increase) Decrease in Assets and Deferred Outflows:			
Receivables	(130)	32,144	32,014
Due from Other Governments	6,787	-	6,787
Prepaid Items	(342)	-	(342)
Deferred Outflows - Pension	8,160	-	8,160
Deferred Outflows - OPEB	(8)	-	(8)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	10,140	(5,144)	4,996
Due to Other Governments	(4)	-	(4)
Customer Deposits	(3,685)	-	(3,685)
Other Accrued Liabilities	(19,702)	-	(19,702)
Net Pension Liability	(22,869)	-	(22,869)
OPEB Liability	598	-	598
Deferred Inflows - Pension	6,861	-	6,861
Deferred Inflows - OPEB	(938)	-	(938)
Net Cash Flows Provided by Operating Activities	<u>\$ 299,607</u>	<u>\$ 1,672</u>	<u>\$ 301,279</u>

