



**AGENDA FOR
REGULAR CITY COUNCIL MEETING
JUNE 16, 2026 – 5:00 P.M.**

1. **Pledge of Allegiance**
2. **Call to Order**
 - Roll Call and Establishment of Quorum
3. **Approval of Agenda**
 - Council Changes
 - Staff Changes
4. **Approval of Minutes**
 - A. June 2, 2026
5. **Audience Participation** (10-minute time limit for items not on the agenda)
6. **Consent Agenda** (items approved with one motion)
 - A. Approve Fire Department Appointments
 - B. Approve Airport Commission Appointment
7. **Scheduled Public Hearings**
8. **Old Business**
9. **Regular Agenda**
 - A. 2025 City Audit Presentation
 - B. Variance Request – Thielen Bus Lines
 - C. Conditional Use Permit Request – Edman Builders (Ziggi’s Coffee)
 - D. Library Expansion Project Reimbursement Agreement Addendum – Resolution #34
 - E. Zoning Ordinance Amendments to Permitted Uses in Residential Districts – Ordinance #105
 - F. Resolution Governing Write-in Vote Counting – Resolution #35
 - G. MN Department of Education Grant Agreement for Library Meeting Room Renovation Amendment – Resolution #36
 - H. Library Expansion Project – Change Order #2
 - I. Donation from Reforest Redwood Falls for Tree Planting at Johnson Park and Perks Park – Resolution #37
 - J. Final Pay Request for Airport Hangar and Taxi Lanes Pavement Maintenance
 - K. Establish City Council Work Session Agenda
10. **Other Items and Communications**
 - A. Council Items
 - B. Staff Items
11. **Paid Bills and Claims – For Informational Purposes**
 - A. City of Redwood Falls Accounts Payable Summary
12. **Adjournment**

**MINUTES
REGULAR COUNCIL MEETING
CITY OF REDWOOD FALLS, MINNESOTA
TUESDAY, JUNE 2, 2026**

Pursuant to due call and notice thereof, a regular meeting of the Redwood Falls City Council was called to order in the Municipal Chambers on Tuesday, June 2, 2026, at 5:00 p.m.

Roll call indicated Mayor Tom Quackenbush and Council Members Matt Smith, Denise Kerkhoff, Jim Sandgren, and Larry Arentson were present, constituting a quorum. Council Member Shannon Guetter was absent.

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

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

A motion was made by Council Member Smith and seconded by Council Member Arentson to approve the May 19, 2026, minutes as presented. Motion passed by unanimous vote.

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

1. City Assistance with Celebrate Redwood Falls – Summer Splash
2. Celebrate Redwood Falls – Summer Splash Parade Permit

Motion passed by unanimous vote.

Mayor Quackenbush presented Sgt. Brady Stough and Officer Lucas Hodges with the Police Chief's Commendation Award.

Mayor Quackenbush stated on March 20, 2026, Sgt. Brady Stough and Officer Lucas Hodges responded to a medical emergency involving a Redwood Falls resident experiencing a heart attack. Officers found the patient unresponsive and not breathing and began CPR and use of an AED. After several minutes of life saving efforts Centra Care Ambulance arrived on scene to take over. Centra Care Ambulance later reported the patient survived and credited his survival directly to the actions of the on-scene RFPD personnel.

Police Chief Jason Cotner was present to introduce Agenda Item 9B – Police Officer Position.

Chief Cotner stated in March of 2026, a hiring process was initiated to fill a vacant police officer position. Applications were taken and an interview panel consisting of City Administrator Keith Muetzel, Police Chief Jason Cotner, and Assistant Police Chief Steve Schroeder met with several candidates. At the conclusion of that process Seth Olson from Dalbo, Minnesota, was identified as the best candidate.

Chief Cotner stated since then, Mr. Olson has successfully passed a physical exam and a psychological examination, and background check. In addition, he was scheduled to take the Minnesota Peace Officer Standards and Training (POST) test on Friday, May 29, 2026. City Staff received confirmation prior to the Council Meeting that Mr. Olson passed the POST test and is now eligible to begin work at Redwood Falls Police Department. Staff recommend Council approve hiring Seth Olson to fill the vacant police officer position.

A motion was made by Council Member Sandgren and seconded by Council Member Smith to approve the Police Officer Position Offer to Seth Olson. Motion passed by unanimous vote.

City Administrator Muetzel introduced the Business Recruitment Incentive Policy.

Mr. Muetzel stated on March 31, 2026, City Council held a work session to discuss marketing activity for the Reflection Ridge Business Park. One of the meeting outcomes was a suggestion to develop an incentive program to encourage business recruitment efforts. A draft policy was reviewed by Council on May 5 and reviewed by the Port Authority on May 18. A final draft was submitted for City Council review and approval. The policy provides for a one-time \$5,000 cash incentive to an eligible individual who directly and demonstrably facilitates the successful location of a new qualifying business within the City of Redwood Falls.

A motion was made by Council Member Kerkhoff and seconded by Council Member Smith to approve the Business Recruitment Incentive Policy. Motion passed by unanimous vote.

City Administrator Muetzel stated the Ramsey Park Zoo added Scottish Highlander cattle, including a recently born Highlander calf. The recent additions have been a popular attraction.

Mayor Quackenbush requested an update on the kayak rental station at Lake Redwood.

City Administrator Muetzel stated Parks & Recreation Director Ross Nachreiner reported at least 18 rentals as of last week with no concerns regarding the rentals reported to staff.

City Administrator Muetzel stated the initial paving for the pickleball courts was completed and additional paving is scheduled for this week.

Mayor Quackenbush requested an update on the airport construction project.

Public Works Project Coordinator Doering stated the airport project, hangar taxi lane pavement maintenance & lighting replacement, is progressing well. The project is ahead of schedule as of today, but a final completion date will still depend on the weather.

Council Member Kerkhoff requested an update on the library project as well as the trails and turn lanes project.

Public Works Project Coordinator Doering stated work has started on the trails and is going well. Cutting of the trail and preparation for gravel has started from Sunrise Blvd. to the ditch and from Sunrise Blvd. to St. John's school. Construction is also progressing well at the library. The footings and foundation have been poured, and plumbing is currently being completed. Contractors will then start on the floor prior to constructing the walls.

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

There being no further business, a motion was made by Council Member Smith and seconded by Council Member Arentson to adjourn the meeting at 5:13 p.m. Motion passed by unanimous vote.

ATTEST:

Keith Muetzel
City Administrator

Tom Quackenbush
Mayor

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

Agenda Item: Approve Fire Department Appointments

Recommendation/Action Requested: Staff recommends appointing the following individuals to the Fire Department:

1. Kyle Dillon
2. Eric Steffl
3. Matt Enright



Keith Muetzel
City Administrator
Phone: 507-616-7400
Fax: 507-637-2417

kmuettel@ci.redwood-falls.mn.us

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

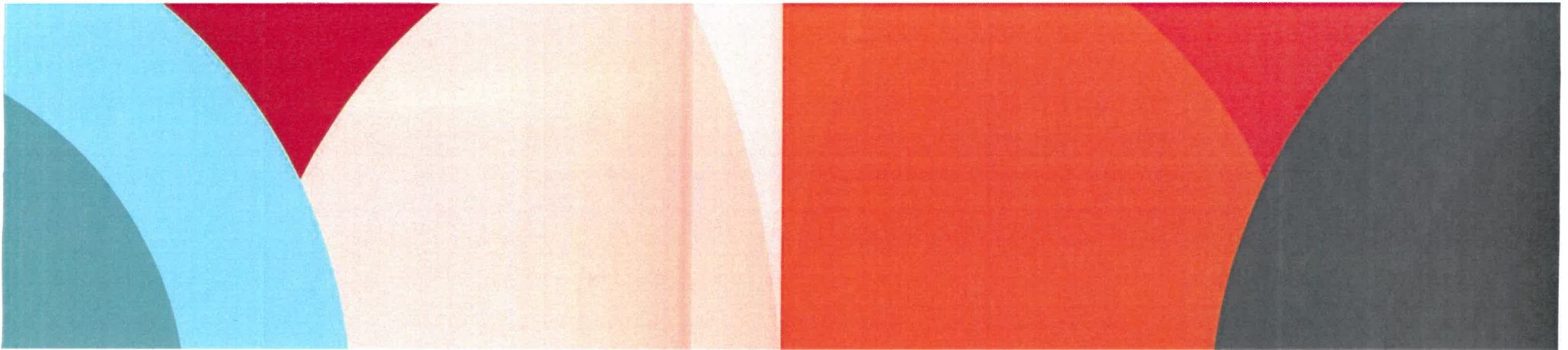
Agenda Item: Approve Airport Commission Appointment

Recommendation/Action Requested: Staff recommends appointing Galyn Minkel to the Airport Commission.



2025 Financial Statement Audit

City of Redwood Falls



Introduction

- Audit Opinion and Responsibility
- General Fund Results
- Other Governmental Funds
- Enterprise Funds
- Key Ratios



Audit Results

Auditor's Opinion

*unmodified
opinion*

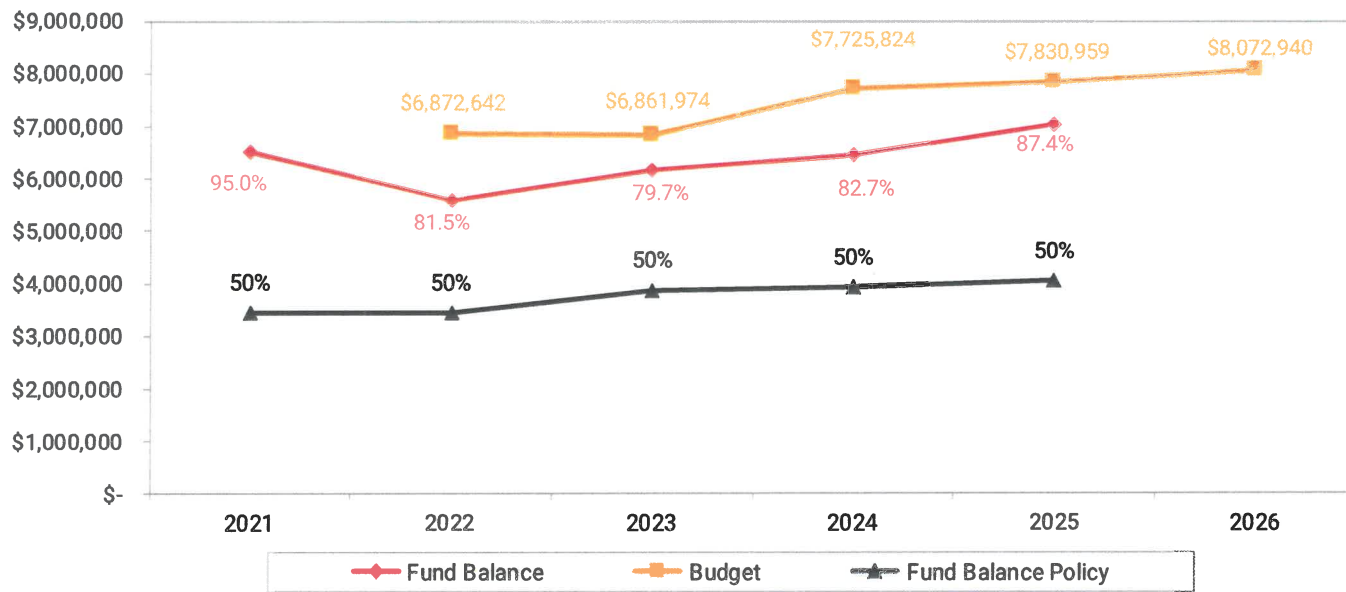
Minnesota Legal
Compliance

*No instances
of
noncompliance*

Single Audit
Report

*No instances
of
noncompliance*

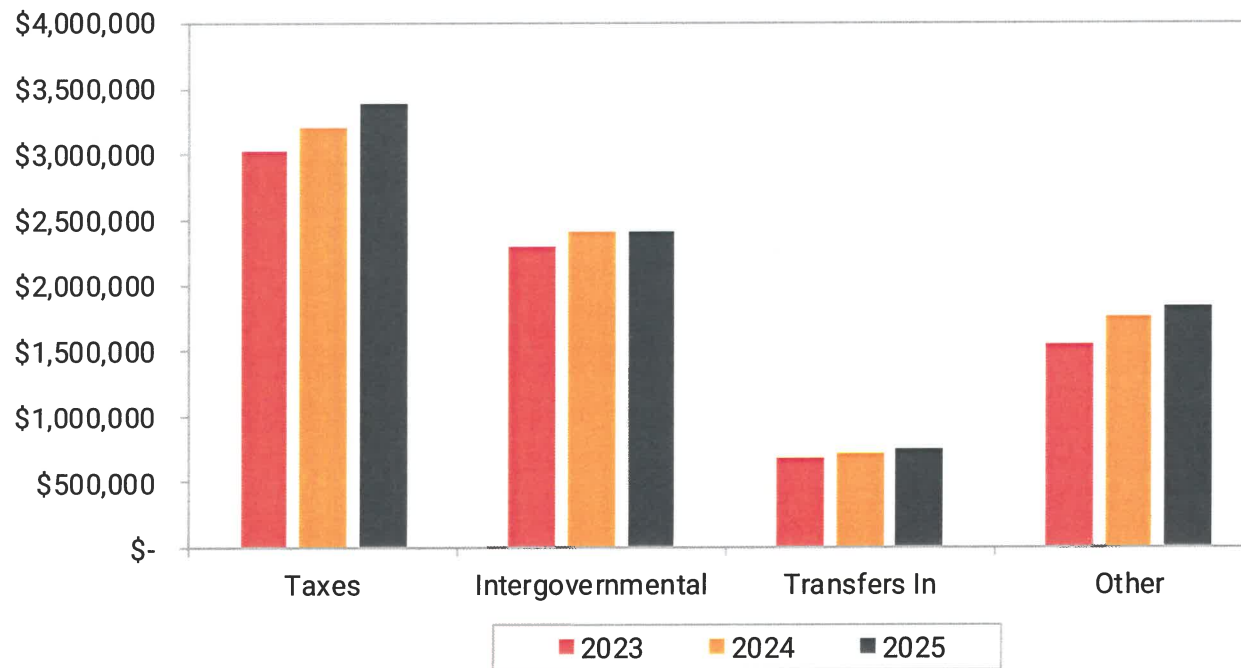
General Fund – Fund Balances



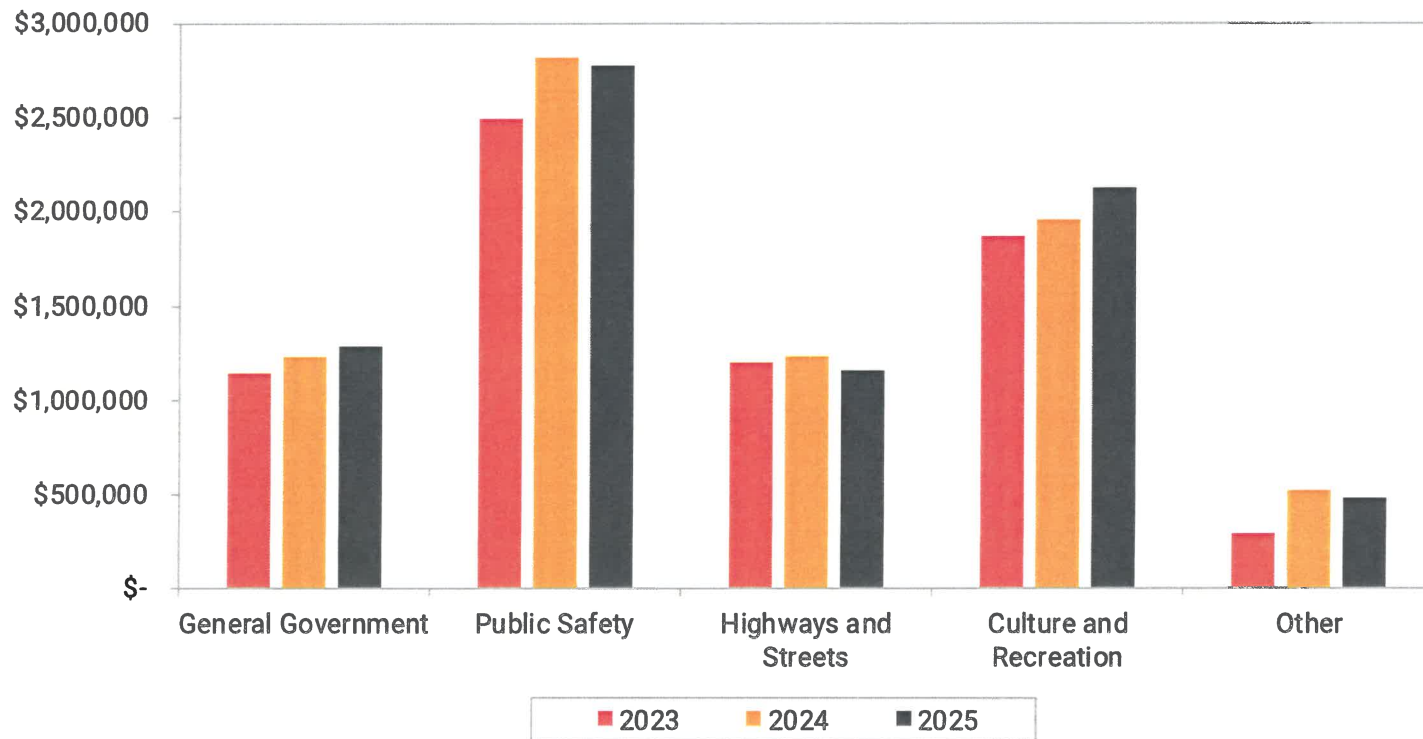
General Fund Budget to Actual

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 7,114,588	\$ 7,644,156	\$ 529,568
Expenditures	7,781,160	7,703,321	77,839
Deficiency of Revenues Under Expenditures	<u>(666,572)</u>	<u>(59,165)</u>	<u>607,407</u>
Other Financing Sources (Uses)			
Transfers in	740,135	740,135	-
Transfers out	(49,799)	(111,324)	(61,525)
Finance purchase obligation	-	9,757	9,757
Total Other Financing Sources (Uses)	<u>690,336</u>	<u>638,568</u>	<u>(51,768)</u>
Net Change in Fund Balances	23,764	579,403	555,639
Fund Balances, January 1	<u>6,472,987</u>	<u>6,472,987</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 6,496,751</u>	<u>\$ 7,052,390</u>	<u>\$ 555,639</u>

General Fund Revenues by Type

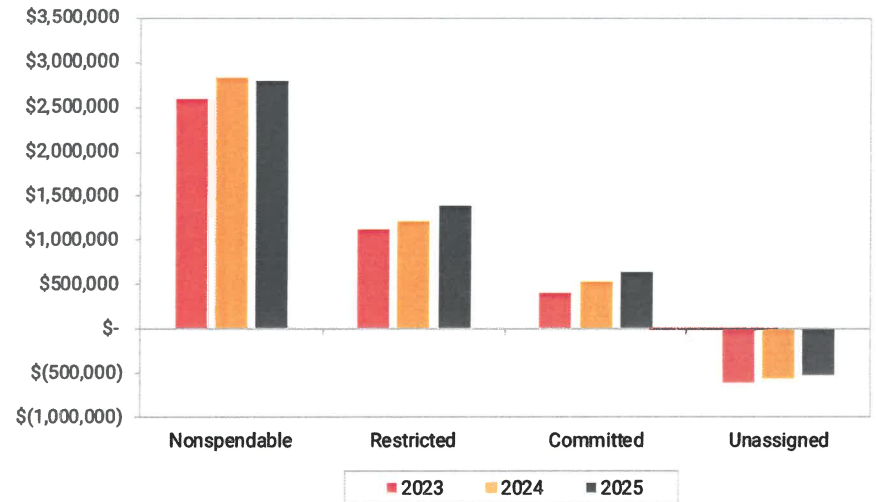


General Fund Expenditures by Type



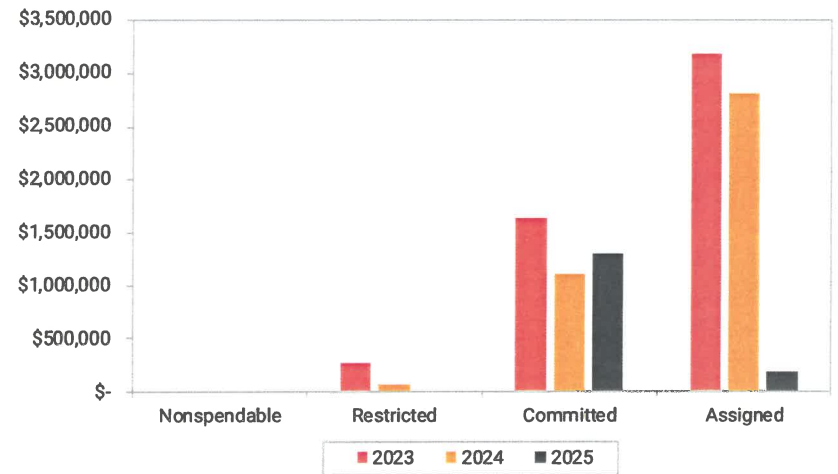
Special Revenue Fund Balances

Fund	Fund Balances December 31,		Increase (Decrease)
	2024	2025	
Nonmajor			
Library	\$ 318,473	\$ 359,732	\$ 41,259
Airport	144,124	162,941	18,817
Port Authority	3,004,367	3,061,109	56,742
Revolving Loan	617,430	647,970	30,540
Downtown Loan Program	54,196	65,872	11,676
TIF #10-1 Runnings Redevelopment	(567,785)	(522,957)	44,828
Fire Equipment Replacement	427,966	519,901	91,935
Total	\$ 3,998,771	\$ 4,294,568	\$ 295,797



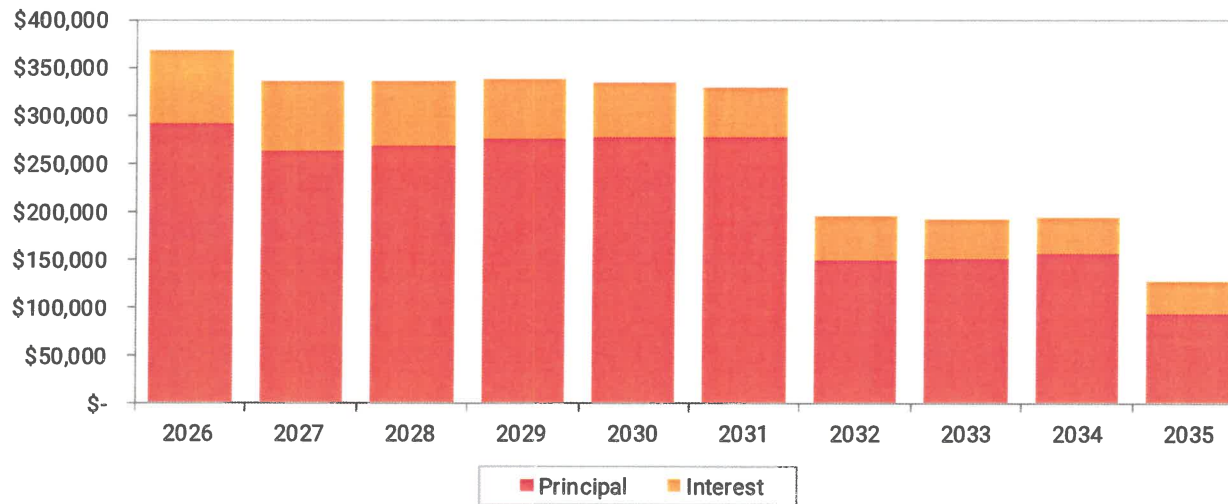
Capital Project Fund Balance

Fund	Fund Balances December 31,		Increase (Decrease)
	2024	2025	
Major Capital Projects	\$ 3,892,957	\$ 1,766,024	\$ (2,126,933)
Nonmajor Airport Projects	98,210	(278,599)	(376,809)
Total	\$ 3,991,167	\$ 1,487,425	\$ (2,503,742)



Debt Service

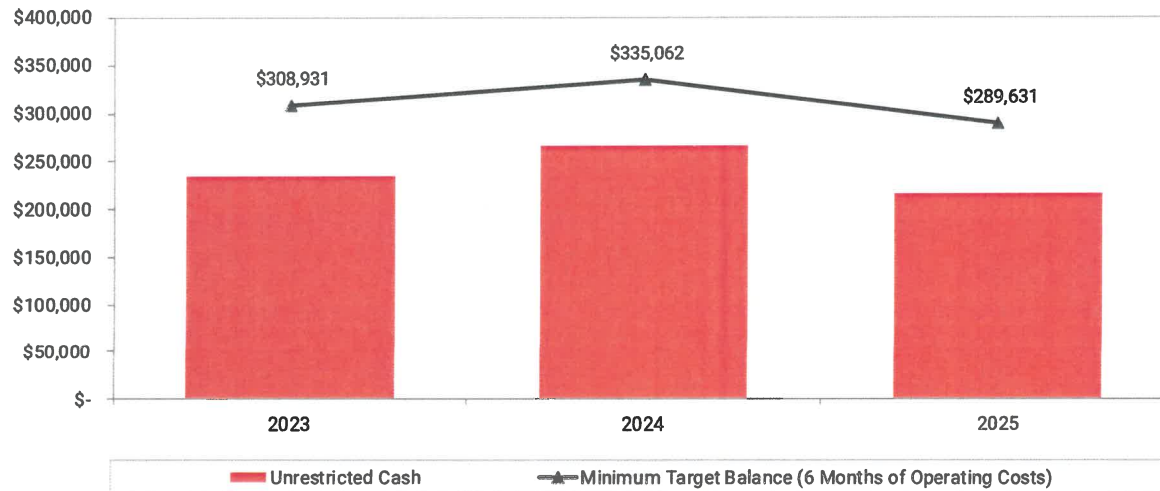
Fund	Total Cash	Total Assets	Bonds Outstanding	Maturity Date
Go Street Reconstruction Bonds - Series 2022A	\$ 83,844	\$ 88,027	\$ 1,730,000	02/01/2043
Go Refunding Bonds - Series 2020B	9,257	9,283	28,163	02/01/2026
Community Center Bonds	2,684	2,900	-	Matured
Go Bonds - Series 2021B (Fire Equipment Replacement)	*	*	800,000	02/01/2031
Total	\$ 95,785	\$ 100,210	\$ 2,558,163	

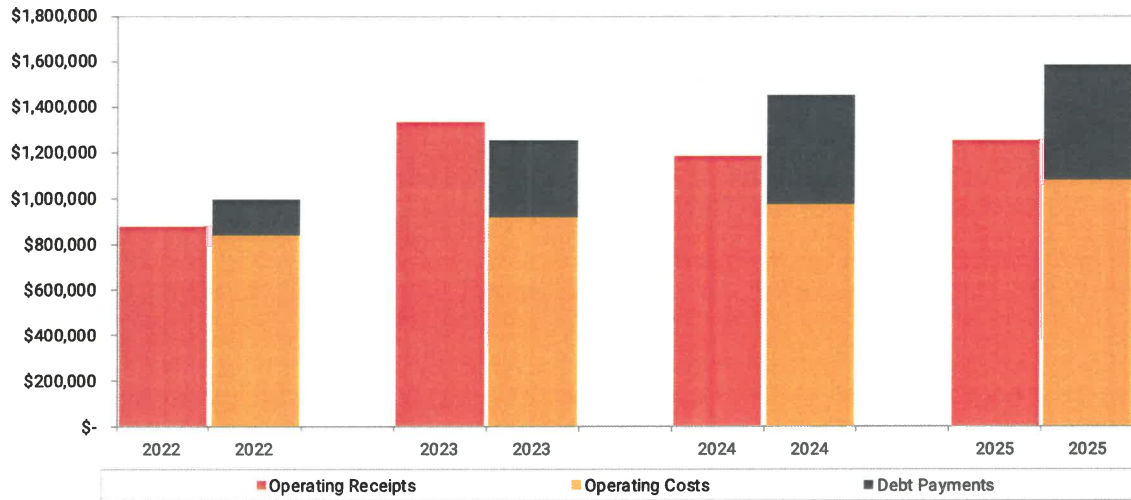


	2023		2024		2025	
	Total	Percent	Total	Percent	Total	Percent
Sales	\$ 2,643,204	100.0 %	\$ 2,630,116	100.0 %	\$ 2,610,057	100.0 %
Cost of Sales	1,988,667	71.8	1,929,268	74.2	1,909,393	73.2
Gross Profit	654,537	28.2	700,848	25.8	700,664	26.8
Operating Expenses	(617,862)	(29.0)	(670,124)	(29.9)	(579,262)	(22.2)
Operating Income	36,675	(0.8)	30,724	(4.1)	121,402	4.6
Nonoperating Revenues	23,342	1.0	16,118	1.8	9,816	0.4
Transfers Out	(120,000)	(4.5)	(120,000)	(4.6)	(120,000)	(4.6)
Change in Net Position	<u>\$ (59,983)</u>	<u>0.2 %</u>	<u>\$ (73,158)</u>	<u>(2.3) %</u>	<u>\$ 11,218</u>	<u>0.4 %</u>

Liquor Fund

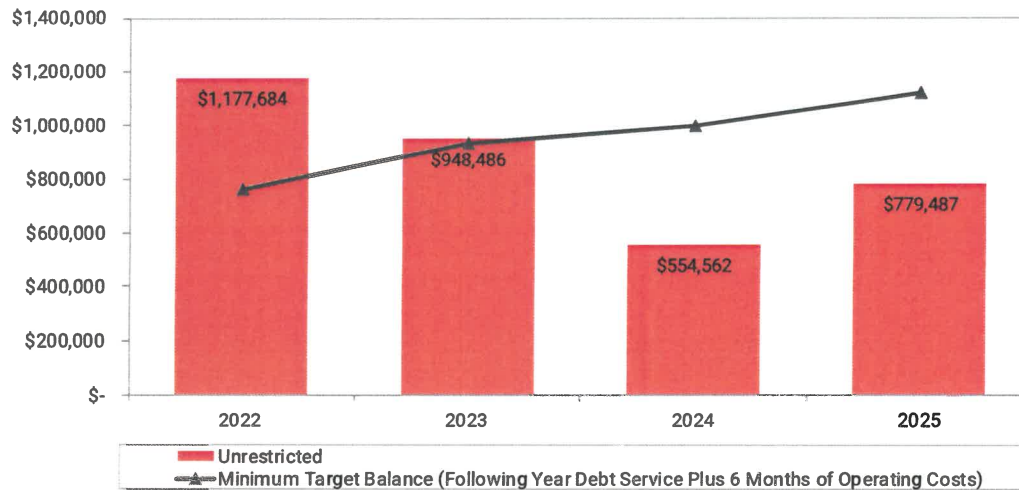
Cash Flows from Operations and Cash Balances

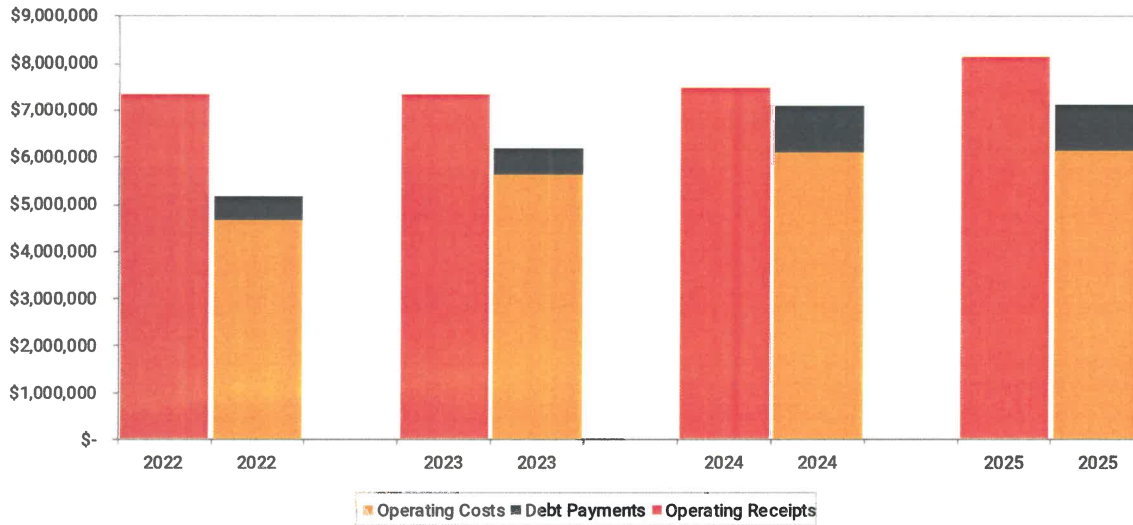




Wastewater Fund

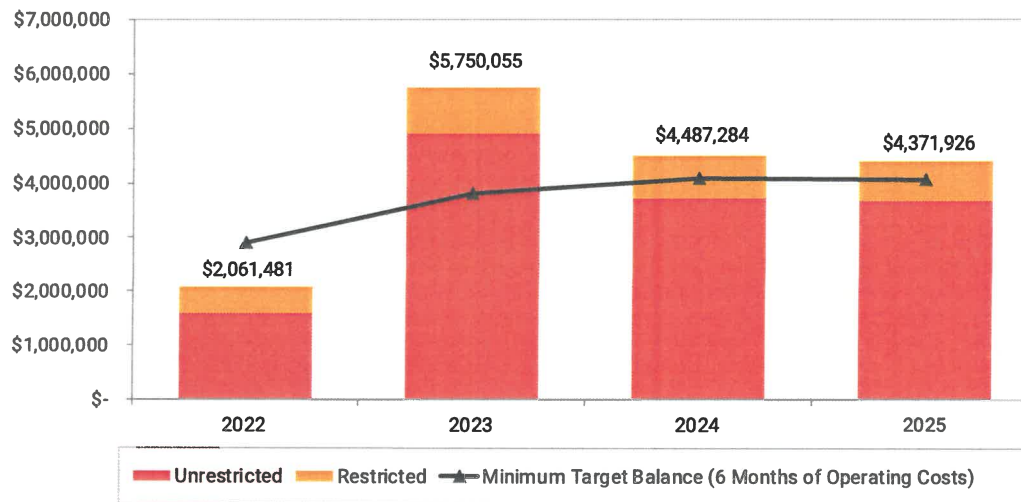
Cash Flows from Operations and Cash Balances

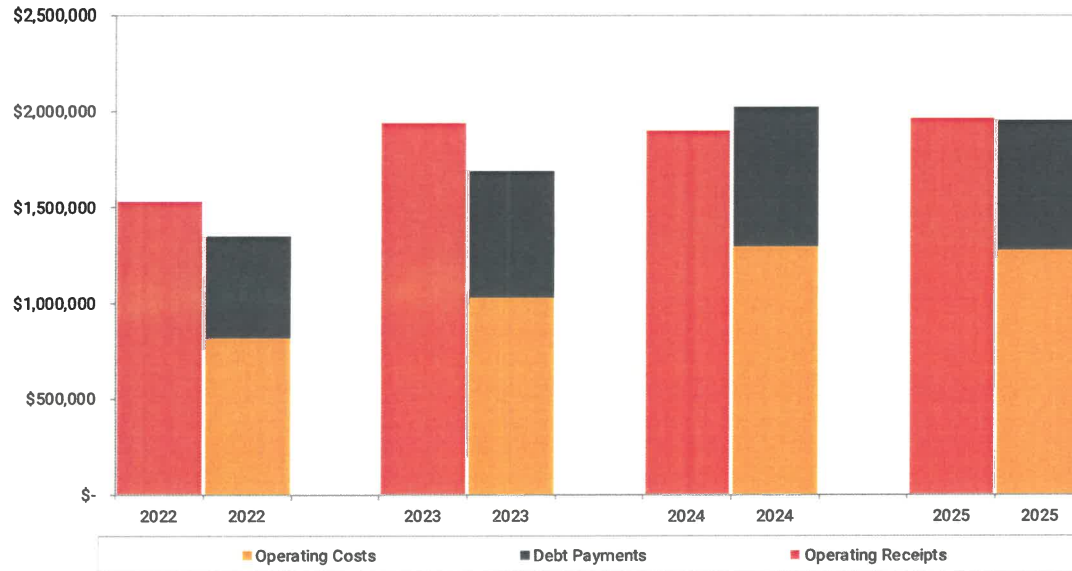




Electric Fund

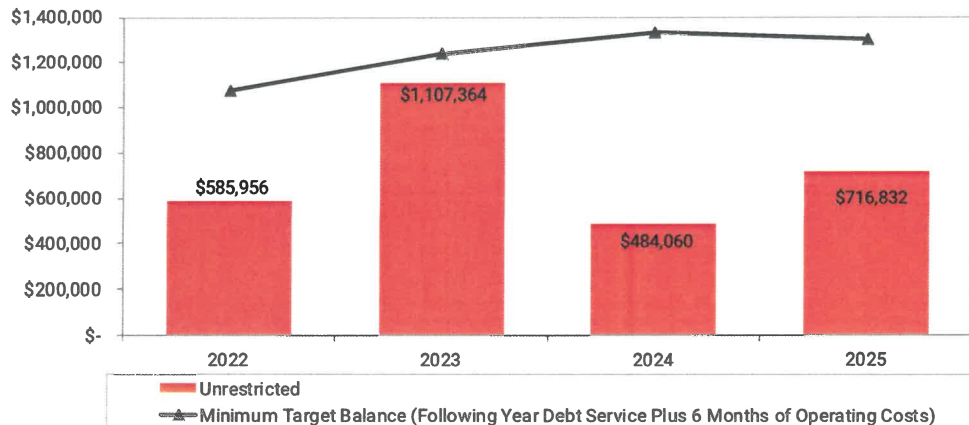
Cash Flows from Operations and Cash Balances

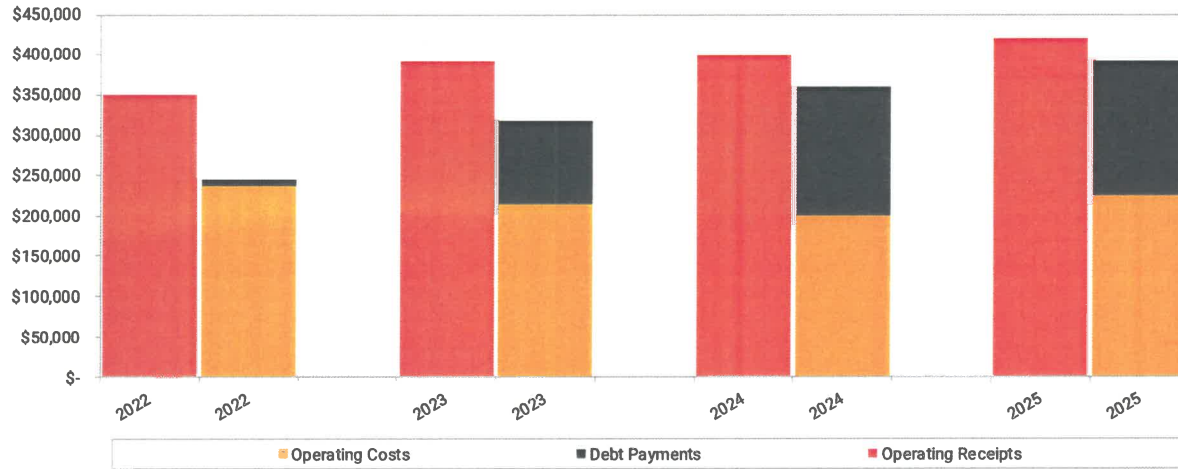




Water Fund

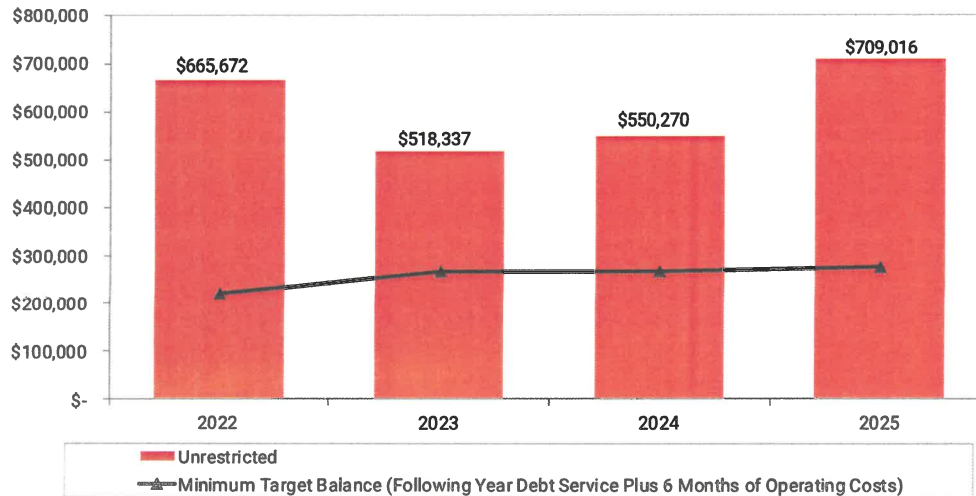
Cash Flows from Operations and Cash Balances



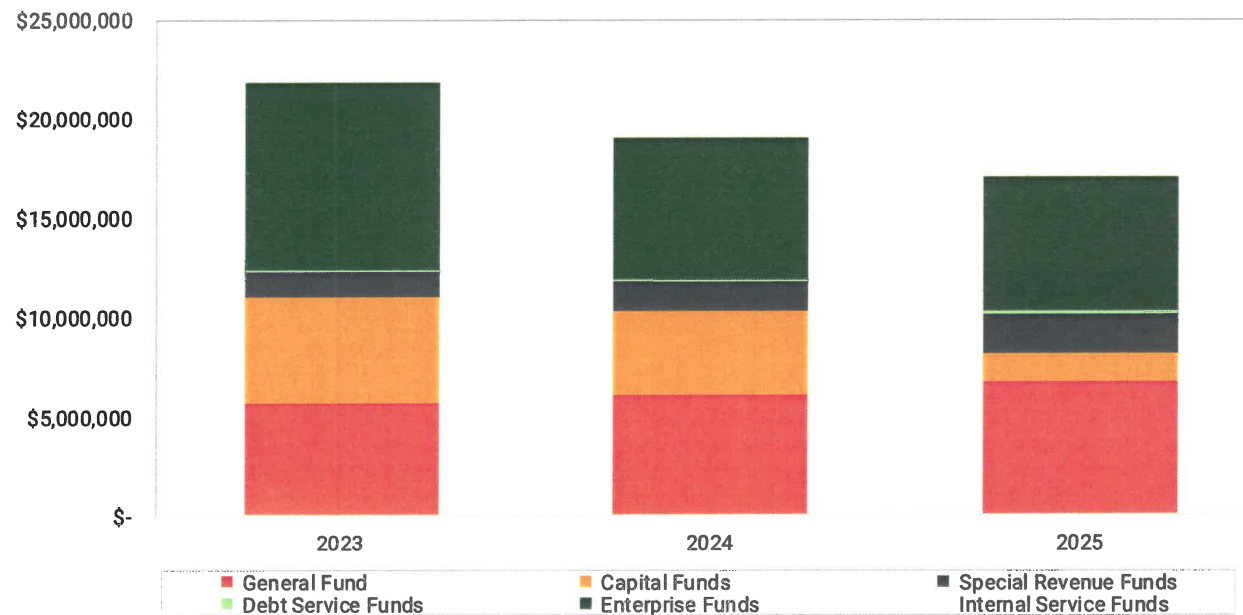


Storm Sewer Fund

Cash Flows from Operations and Cash Balances



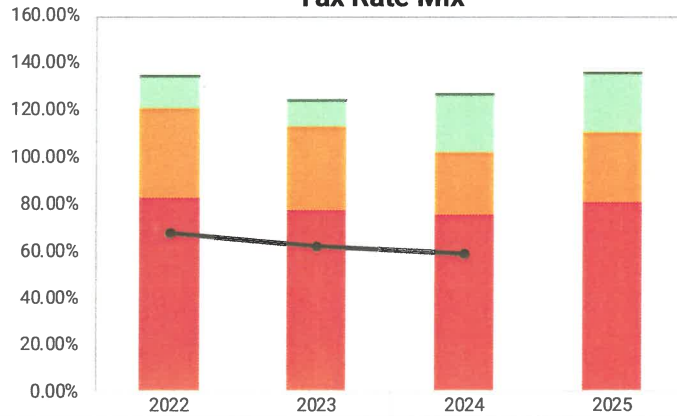
Cash and Investments Balances by Fund Type



KEY PERFORMANCE INDICATORS

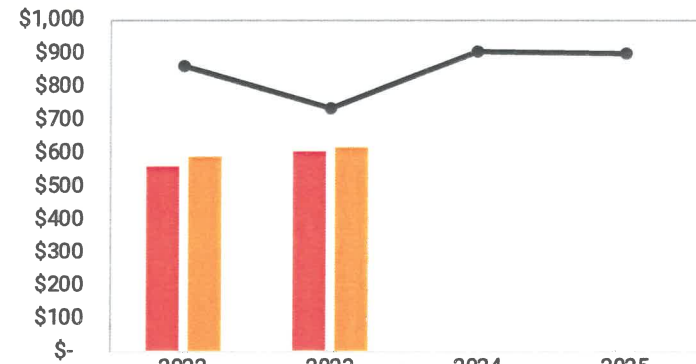
Tax Rates

Tax Rate Mix



	2022	2023	2024	2025
Special Tax Rate	0.16%	0.14%	0.10%	0.11%
School Tax Rate	13.34%	11.12%	24.69%	25.24%
County Tax Rate	38.10%	34.79%	26.44%	29.52%
City Tax Rate	83.07%	78.31%	75.94%	81.34%
Comparative Cities Rate	67.94%	62.25%	59.47%	

Taxes Per Capita



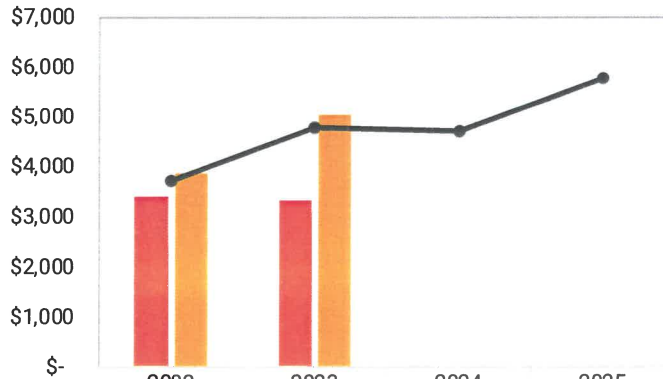
	2022	2023	2024	2025
Comparative Cities	\$561	\$606	N/A	N/A
Cities in Redwood County	\$593	\$619	N/A	N/A
City of Redwood Falls	\$867	\$735	\$906	\$901

Comparative Cities include the following: Carver, Chisago City, Glencoe, Kasson, La Crescent, Le Sueur, Litchfield, Montevideo, Morris, Olivia, Saint Charles, Saint James, Saint Joseph, Sauk Centre, Sleepy Eye, Windom

KEY PERFORMANCE INDICATORS

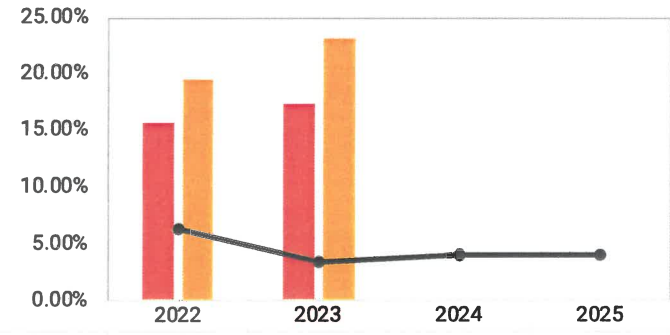
Debt

Debt Per Capita



	2022	2023	2024	2025
Comparative Cities	\$3,433	\$3,351	N/A	N/A
Cities in Redwood County	\$3,864	\$5,058	N/A	N/A
City of Redwood Falls	\$3,713	\$4,802	\$4,738	\$5,780

Debt Service Expenditures as a Percent of Total Expenditures



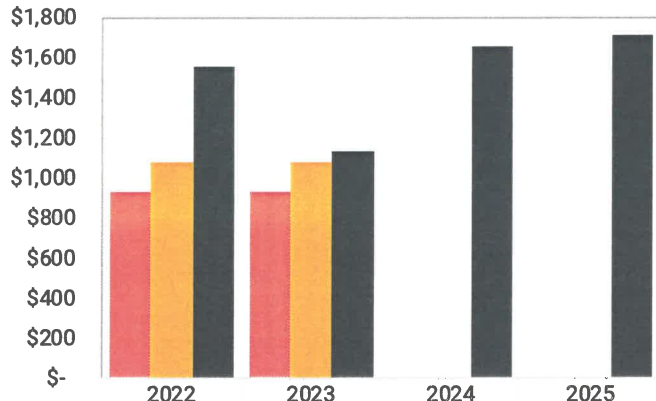
	2022	2023	2024	2025
Comparative Cities	15.59%	17.28%	N/A	N/A
Cities in Redwood County	19.46%	23.19%	N/A	N/A
City of Redwood Falls	6.20%	3.29%	3.95%	4.02%

Comparative Cities include the following: Carver, Chisago City, Glencoe, Kasson, La Crescent, Le Sueur, Litchfield, Montevideo, Morris, Olivia, Saint Charles, Saint James, Saint Joseph, Sauk Centre, Sleepy Eye, Windom

KEY PERFORMANCE INDICATORS

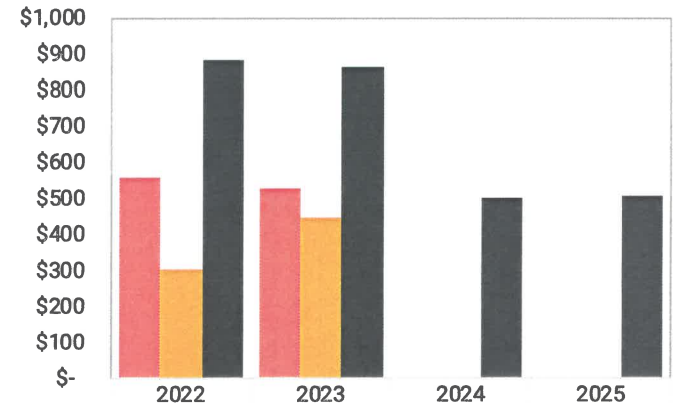
Expenditures

Current Expenditures Per Capita



	2022	2023	2024	2025
■ Comparative Cities	\$936	\$932	N/A	N/A
■ Cities in Redwood County	\$1,084	\$1,084	N/A	N/A
■ City of Redwood Falls	\$1,558	\$1,140	\$1,663	\$1,712

Capital Expenditures Per Capita



	2022	2023	2024	2025
■ Comparative Cities	\$560	\$531	N/A	N/A
■ Cities in Redwood County	\$306	\$447	N/A	N/A
■ City of Redwood Falls	\$885	\$865	\$501	\$510

Comparative Cities include the following: Carver, Chisago City, Glencoe, Kasson, La Crescent, Le Sueur, Litchfield, Montevideo, Morris, Olivia, Saint Charles, Saint James, Saint Joseph, Sauk Centre, Sleepy Eye, Windom

Your Abdo Team



Bonnie
SCHWIEGER



Abby
SCHMIDT



Kelsey
GROSKREUTZ



Alex
WITTWER



Erika
PUDAS



Executive Governance Summary

City of Redwood Falls

Redwood Falls, Minnesota

For the year ended December 31, 2025



5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

14500 N Northsight Blvd, Ste 321
Scottsdale, AZ 85260
P 480.864.5579



June 10, 2026

Management, Honorable Mayor, and City Council
City of Redwood Falls, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Redwood Falls, Minnesota (the City), for the year ended December 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 22, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Compliance Supplement" applicable to each of its major Federal programs for the purpose of expressing an opinion on the City's compliance with those requirements and for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with the Uniform Guidance, Government Auditing Standards or Minnesota statutes.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Allocations of gross wages and payroll benefits are approved by the City Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective function of the City. These allocations are also used in allocating accrued compensated absences payable.
- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.
- Management's estimate of its lease receivable is based on the present value of lease payments expected to be received during the lease term.
- Management's estimate of future paid sick time usage is based on historical usage data.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



Management Representations

We have requested certain representations from management that are included in the management representations letter dated June 10, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Policy Revisions

The following item did not materially affect the financial statements, however we feel should be brought to your attention for future improvements. This item relates to the single audit policy which we would recommend updating with minor revisions to include more specific language as described in the Uniform Guidance.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios), Schedule of changes in the City's OPEB Liability and related ratios, the respective budgetary comparison schedules and related note disclosures which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (combining and individual fund financial statements and schedules and schedule of federal awards), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.



Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements:

GASB Statement No. 103 – *Financial Reporting Model Improvements*

Effective: 12/31/2026

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*

Effective: 12/31/2026

Further information on upcoming [GASB pronouncements](#).

* * * *

Restriction on Use

This purpose of this communication is solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than those specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



Abdo
Minneapolis, Minnesota
June 10, 2026



ANNUAL FINANCIAL REPORT

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Redwood Falls, Minnesota
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INTRODUCTORY SECTION
CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Redwood Falls, Minnesota
Elected Officials
For the Year Ended December 31, 2025

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Quackenbush	Mayor	12/31/26
Denise Kerkhoff	Council Member	12/31/28
Matt Smith	Council Member	12/31/28
Larry Arentson	Council Member	12/31/26
Jim Sandgren	Council Member	12/31/26
Shannon Guetter	Council Member	12/31/28

APPOINTED

Keith Muetzel	City Administrator
Kari Klages	Finance Director
Trenton Dammann	City Attorney

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FINANCIAL SECTION
CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Redwood Falls, Minnesota

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, 2025, 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 of Redwood Falls as of December 31, 2025, 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 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 Auditor's 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's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 of Redwood Falls'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.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 of Redwood Falls'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 of Redwood Falls'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 starting on page 21 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the Schedule of changes in the Net Pension Asset and Related Ratios, the related note disclosures, and the Schedule of Changes in the City of Redwood Falls's OPEB Liability and Related Ratios, the respective budgetary comparison schedules and related notes, starting on page 96. 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying combining and individual fund financial statements, schedules, and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules, and schedule of expenditures of federal awards 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 in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2026 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 to solely 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* and should be considered in assessing the results of our audit.



Abdo
Minneapolis, Minnesota
June 10, 2026



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Management's Discussion and Analysis

As management of the City of Redwood Falls, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements. Internal service funds statements are also included, reflecting balances prior to their elimination from the government-wide financial statements, to avoid "doubling-up" effect within the governmental and business-type activities columns of said statements.

**Figure 1
Required Components of the
City's Annual Financial Report**

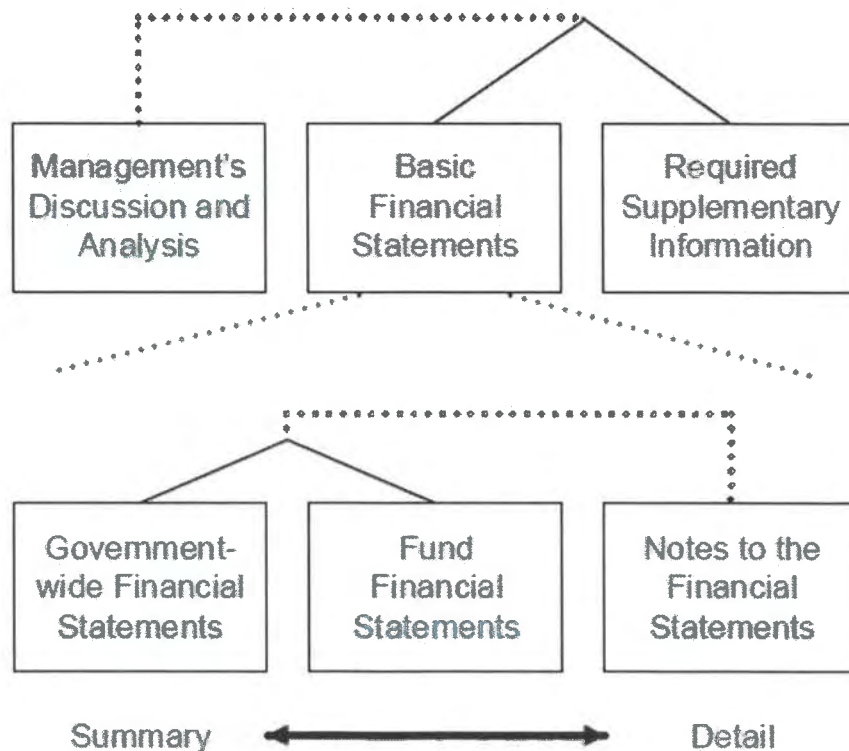


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2
Major Features of the Government-wide and Fund Financial Statements**

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and no measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	None reported
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highway and streets, culture and recreation, economic development, airport, and interest on long-term debt. The business-type activities of the City include water, sewer, storm sewer, electric, and municipal liquor.

The government-wide financial statements start on page 29 of this report.

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Capital Projects fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary Funds. The City maintains five proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water Utility, Sewer Utility, Storm Sewer Utility, Electric Utility, and Municipal Liquor store.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary funds financial statements start on page 38 of this report.

Fiduciary Fund. The fiduciary fund is used to account for resources held for the benefit of parties outside the City. The fiduciary fund is *not* reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 48 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 51 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's budgets, progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on page 96 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 110 of this report.

Analysis of the City's Finances

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	\$ 14,649,193	\$ 15,621,600	\$ (972,407)	\$ 11,943,803	\$ 13,212,369	\$ (1,268,566)
Capital assets, net of depreciation/ amortization	34,963,347	34,832,461	130,886	58,930,842	53,791,186	5,139,656
Total Assets	49,612,540	50,454,061	(841,521)	70,874,645	67,003,555	3,871,090
Deferred Outflows of Resources	1,596,234	2,009,455	(413,221)	198,740	193,712	5,028
Liabilities						
Noncurrent liabilities outstanding	6,040,407	6,308,251	(267,844)	26,846,477	26,866,799	(20,322)
Other liabilities	987,920	1,297,830	(309,910)	1,457,100	2,904,775	(1,447,675)
Total Liabilities	7,028,327	7,606,081	(577,754)	28,303,577	29,771,574	(1,467,997)
Deferred Inflows of Resources	2,386,179	2,871,000	(484,821)	596,707	714,223	(117,516)
Net Position						
Net investment in capital assets	31,324,591	30,684,590	640,001	33,216,280	29,140,795	4,075,485
Restricted	1,950,466	2,124,212	(173,746)	724,400	792,100	(67,700)
Unrestricted	8,519,211	9,177,633	(658,422)	8,232,421	6,778,575	1,453,846
Total Net Position	\$ 41,794,268	\$ 41,986,435	\$ (192,167)	\$ 42,173,101	\$ 36,711,470	\$ 5,461,631
Net Position as a percent of total						
Net investment in capital assets	74.95 %	73.08 %		78.76 %	79.38 %	
Restricted	4.67	5.06		1.72	2.16	
Unrestricted	20.38	21.86		19.52	18.46	
	100.00	100.00		100.00	100.00	

As shown in the table above, as of December 31, 2025, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. The City's total net position increased as a result of significant capital investments. The following sections of the MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental Activities. Governmental activities decreased the City's net position, as shown below.

City of Redwood Falls's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,670,458	\$ 1,755,360	\$ (84,902)	\$ 14,479,648	\$ 13,718,708	\$ 760,940
Operating grants and contributions	765,821	771,632	(5,811)	54,557	43,744	10,813
Capital grants and contributions	2,504,263	1,486,071	1,018,192	3,544,492	2,625,821	918,671
General Revenues						
Taxes						
Property taxes	4,289,116	4,033,025	256,091	-	-	-
Other taxes	248,127	208,735	39,392	-	-	-
Grants and contributions not restricted to specific programs	2,042,861	2,264,116	(221,255)	-	113,792	(113,792)
Unrestricted investment earnings	544,859	271,631	273,228	429,033	503,445	(74,412)
Gain on sale of capital assets	176,734	32,612	144,122	-	-	-
Total Revenues	<u>12,242,239</u>	<u>10,823,182</u>	<u>1,419,057</u>	<u>18,507,730</u>	<u>17,005,510</u>	<u>1,502,220</u>
Expenses						
General government	1,489,968	1,351,712	138,256	-	-	-
Public safety	3,026,433	3,191,419	(164,986)	-	-	-
Highways and Streets	1,839,506	1,769,909	69,597	-	-	-
Culture and recreation	4,328,590	3,129,818	1,198,772	-	-	-
Economic Development	186,097	462,156	(276,059)	-	-	-
Airport	342,223	623,099	(280,876)	-	-	-
Interest and Fiscal Charges	139,672	88,453	51,219	-	-	-
Municipal Liquor Store	-	-	-	2,488,231	2,599,392	(111,161)
Water Utility	-	-	-	1,970,555	1,813,799	156,756
Sewer Utility	-	-	-	1,729,773	1,442,630	287,143
Storm Sewer Utility	-	-	-	412,137	351,946	60,191
Electric Utility	-	-	-	7,527,320	7,154,437	372,883
Total Expenses	<u>11,352,489</u>	<u>10,616,566</u>	<u>735,923</u>	<u>14,128,016</u>	<u>13,362,204</u>	<u>765,812</u>
Change in Net Position						
Before Transfers	889,750	206,616	683,134	4,379,714	3,643,306	736,408
Transfers - Internal Activities	(1,081,917)	741,892	(1,823,809)	1,081,917	(741,892)	1,823,809
Change in Net Position	<u>(192,167)</u>	<u>948,508</u>	<u>(1,140,675)</u>	<u>5,461,631</u>	<u>2,901,414</u>	<u>2,560,217</u>
Net Position, January 1	<u>41,986,435</u>	<u>41,037,927</u>	<u>948,508</u>	<u>36,711,470</u>	<u>33,810,056</u>	<u>2,901,414</u>
Net Position, December 31	<u>\$ 41,794,268</u>	<u>\$ 41,986,435</u>	<u>\$ (192,167)</u>	<u>\$ 42,173,101</u>	<u>\$ 36,711,470</u>	<u>\$ 5,461,631</u>

Key elements of this decrease are as follows:

- Loss on the sale of capital assets whereas there was a gain in the prior year.
- Greater amount transferred out than transferred into the governmental funds due to internal activities

Loss on sale of capital assets

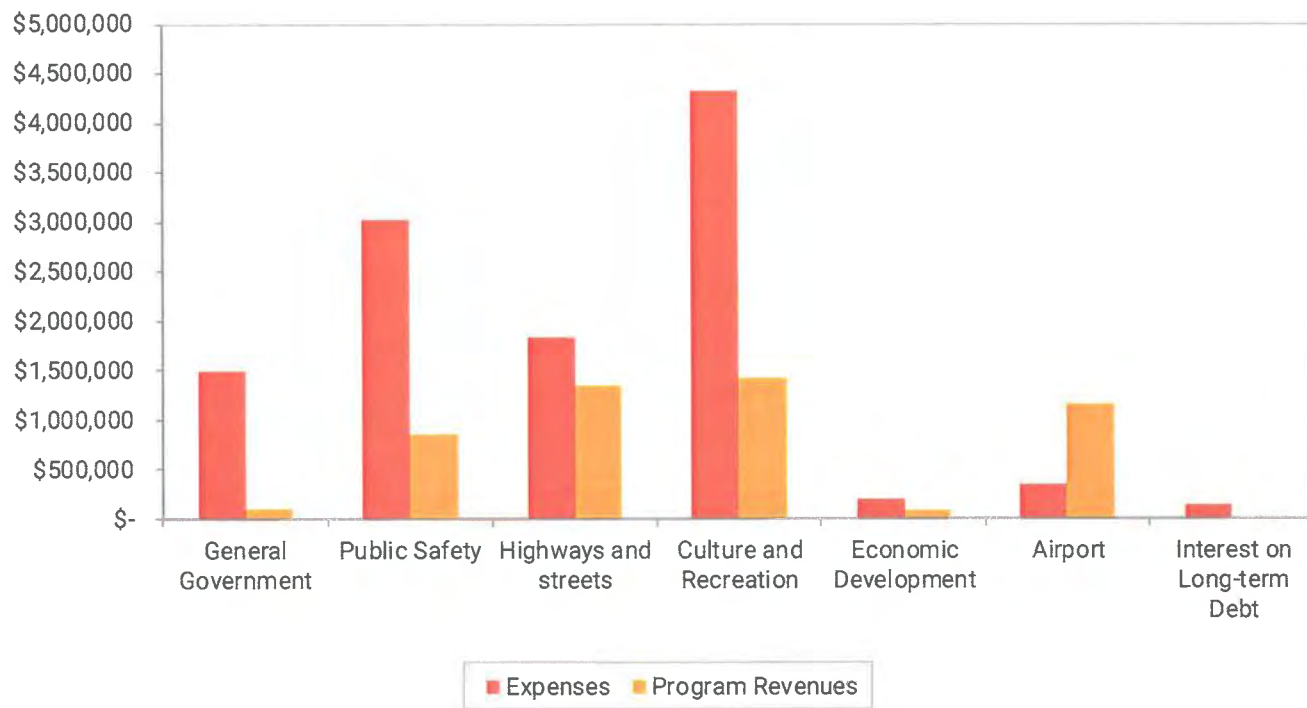
The City had an agreement with the RCRCA for dredging Lake Redwood and per the agreement the City would receive the land at the end of the agreement. Due to grant restrictions from the RCRCA, the land could not be given to the City; therefore, the City disposed of land in the current year.

Increase in transfers out of the governmental funds due to internal activities

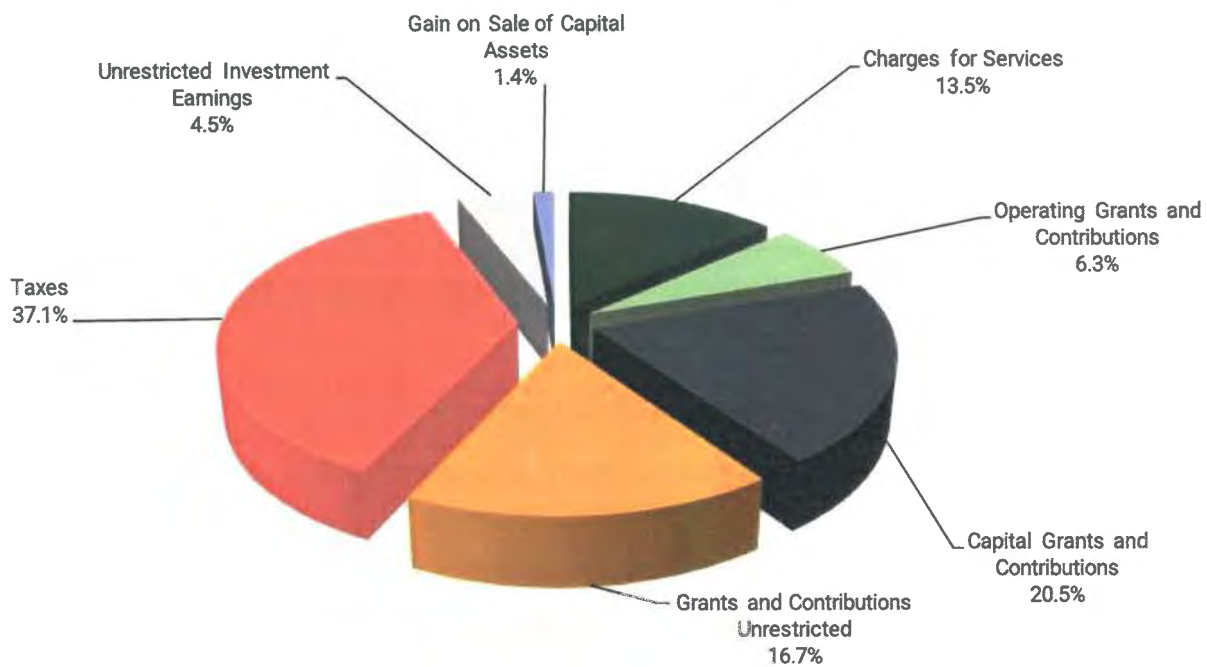
There was a large transfer going from the Reflections Capital Project fund into the Water Utility fund, the Sewer Utility fund, and the Storm Sewer Utility fund of \$1,855,656 for reimbursement for eligible project costs.

The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



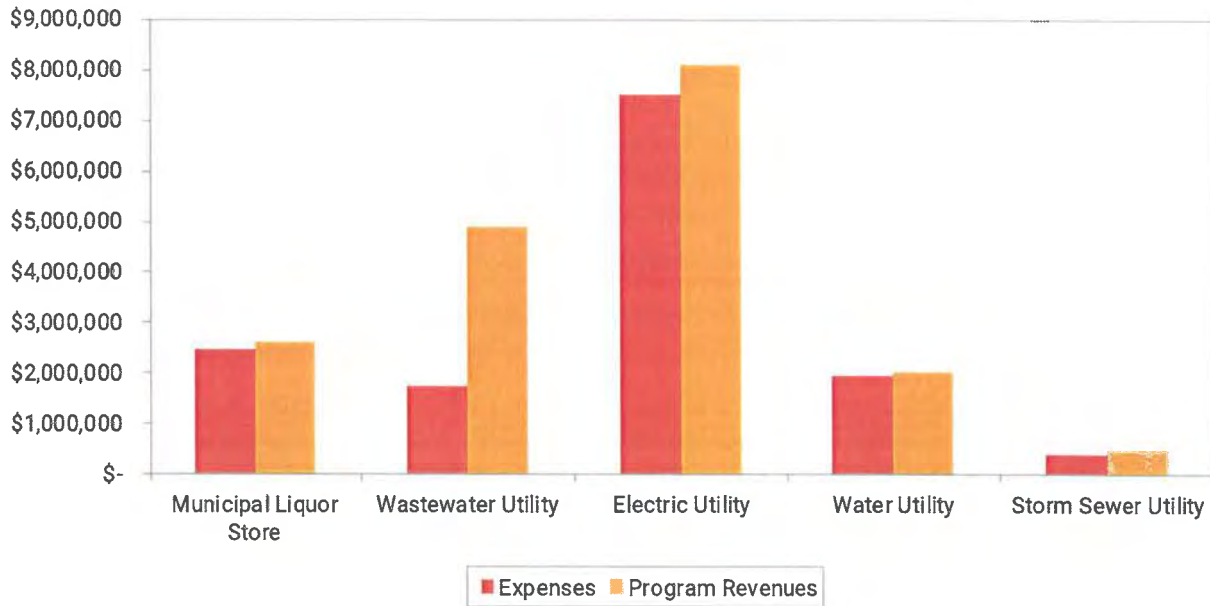
Revenues by Source - Governmental Activities



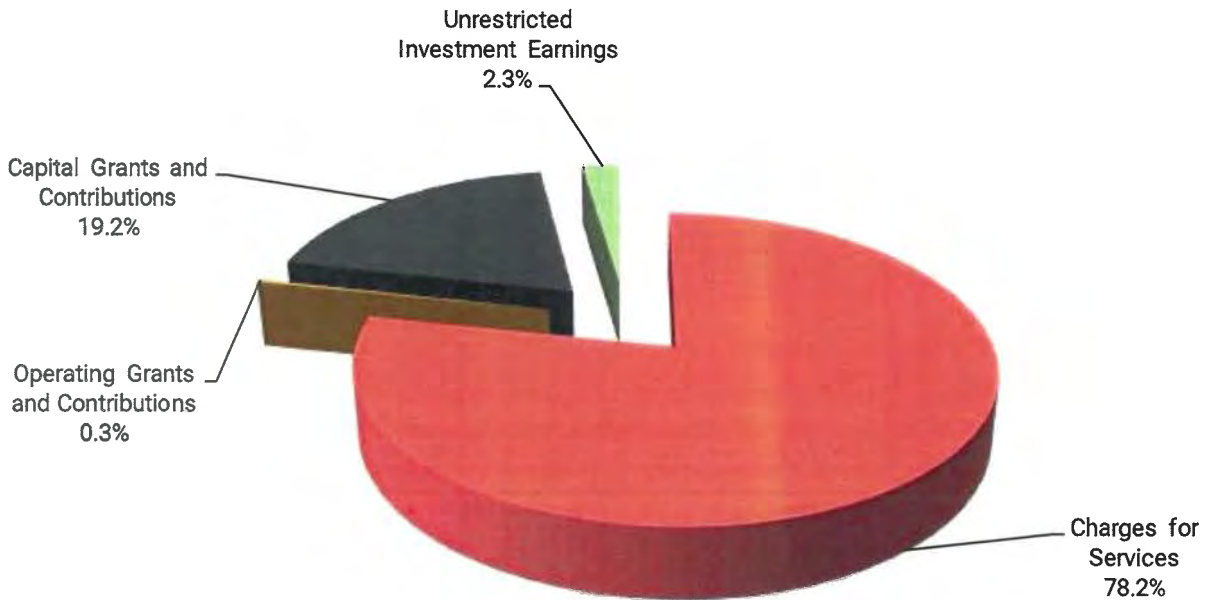
Business-type Activities. Business-type activities increased the City's net position, as shown in the changes in net position table. Key elements of this increase are as follows:

- Charges for services for business-type activities increased due to base rates and usage rates for utilities increasing from the prior year.
- Transfers into the utility funds increased due to a large transfer of \$1,855,656 being transferred from the Reflections Capital Project Fund to the Water Utility fund, the Sewer Utility fund, and the Storm Sewer Utility fund.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2025.

	General Fund	Capital Projects	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	\$ 648,546	\$ -	\$ 2,794,606	\$ 3,443,152	\$ 3,522,650	\$ (79,498)
Restricted	300,873	-	1,480,868	1,781,741	1,642,140	139,601
Committed	-	1,295,365	639,737	1,935,102	1,632,114	302,988
Assigned	138,716	470,659	-	609,375	2,935,820	(2,326,445)
Unassigned	5,964,255	-	(801,556)	5,162,699	4,815,975	346,724
	<u>\$ 7,052,390</u>	<u>\$ 1,766,024</u>	<u>\$ 4,113,655</u>	<u>\$ 12,932,069</u>	<u>\$ 14,548,699</u>	<u>\$ (1,616,630)</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 51 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 648,546	\$ 692,188	\$ (43,642)
Restricted	300,873	278,923	21,950
Assigned	138,716	118,116	20,600
Unassigned	5,964,255	5,383,760	580,495
Total	<u>\$ 7,052,390</u>	<u>\$ 6,472,987</u>	<u>\$ 579,403</u>
General Fund expenditures	\$ 7,703,321	\$ 7,512,118	
Unassigned as a percent of expenditures	77.4%	71.7%	
Total Fund Balance as a percent of expenditures	91.5%	86.2%	

The fund balance of the City's General fund increased during the current fiscal year, as shown in the table above. The increase was primarily due to stronger-than-budgeted investment performance and below budget Public Works expenditures. Key savings areas included snow removal supplies, street maintenance materials and favorable seal coat bids.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City’s proprietary funds increased or (decreased) as follows:

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Water Utility	\$ 8,094,082	7,559,806	\$ 534,276
<i>The increase can be attributed to operating revenues being sufficient to cover operating expenses and interest expense.</i>			
Sewer Utility	12,381,845	8,342,558	4,039,287
<i>The increase can be attributed to operating revenues being sufficient to cover operating expenses and interest expense.</i>			
Storm Sewer Utility	4,117,690	3,779,670	338,020
<i>The increase can be attributed to operating revenues being sufficient to cover operating expenses and interest expense.</i>			
Electric Utility	16,017,595	15,560,561	457,034
<i>The increase is largely due to charges for services exceeding operating costs. A large portion of the operating income was transferred out to other funds to support governmental operations and capital costs.</i>			
Municipal Liquor Store	435,125	423,907	11,218
<i>The increase is primarily due to operating revenues exceeding operating expenses in the current year.</i>			

Capital Asset and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2025, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, and roads. The City uses a capitalization threshold of \$25,000 for buildings, building improvements, and infrastructure, and \$5,000 for all other capital assets.

Significant asset additions that occurred during the year are as follows:

- Completion of the following projects:
 - 2025 Wastewater Facility Project
 - 2025 URD Distribution Project
 - 80 by 80 Hangar – Project 145
 - 2024 Fourth Street Reconstruction – Project 116
 - 2025 Memorial Park Baseball Field Bathroom Facility – Project 140
- Purchase of a 2025 TYMCO 500z Sweeper
- Purchase of a 2025 JD 544P Front End Loader
- Purchase of a Case Backhoe 580SN

Significant asset disposals that occurred during the year are as follows:

- Old assets pertaining to their old waste water treatment plant
 - Submerged Fixed Film (Not Reactor)
 - General on Lagoon Not Specific Otherwise
 - Blower Building Air Blowers
 - 24in PVC Outfall Pipe
 - Wastewater Aeration Piping
- Disposal of assets due to trade ins
 - 2016 TYMCO 500x Sweeper on International Chassis
 - 2022 JD 544P Front End Loader
 - Case Backhoe 580NWT
- Lake Redwood Reclamation Land

Additional information on the City’s capital assets can be found in Note 3C starting on page 66 of this report.

City of Redwood Falls's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 2,022,572	\$ 2,943,082	\$ (920,510)	\$ 1,597,267	\$ 1,597,267	\$ -
Land Improvements	132,361	132,361	-	-	-	-
Construction in Progress	1,292,719	188,716	1,104,003	433,079	3,661,442	(3,228,363)
Other Capital Assets, Net of Depreciation	31,202,211	31,152,268	49,943	56,900,496	48,532,477	8,368,019
Intangible Right-to-Use Assets, Net of Amortization	313,484	416,034	(102,550)	-	-	-
Total	\$ 34,963,347	\$ 34,832,461	\$ 130,886	\$ 58,930,842	\$ 53,791,186	\$ 5,139,656
Percent increase (decrease)			0.4%			9.6%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding consisting of revenue related debt, general obligation debt, finance purchase agreements, and lease payables as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Redwood Falls's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Bonds Payable	\$ 3,079,163	\$ 3,399,163	\$ (320,000)	\$ 25,650,406	\$ 25,649,697	\$ 709
Finance Purchase Agreement	63,101	72,969	(9,868)	-	-	-
Lease Payable	313,272	394,886	(81,614)	-	-	-
Unamortized Premium on Bonds	-	-	-	(2,626)	(3,839)	1,213
Total	\$ 3,455,536	\$ 3,867,018	\$ (411,482)	\$ 25,647,780	\$ 25,645,858	\$ 1,922
			-10.6%			0.0%

The City's total debt decreased during the current fiscal year. The key factor in this decrease was scheduled bond payments.

Additional information on the City's long-term debt can be found in Note 3E starting on page 70 of this report.

Currently Known Facts, Decisions, or Conditions

The City of Redwood Falls' appointed officials considered many factors when presenting the fiscal year 2026 budget and rates and fees to be charged for business-type activities.

One of the major factors continues to be personnel costs in the General Fund as the services provided are labor intensive. Collective bargaining agreements are currently in place through 2027, providing some stability in personnel costs. Addressing necessary infrastructure maintenance and improvements continues to be a challenge due to aging infrastructure and high replacement costs. The City continues to evaluate funding strategies for infrastructure needs, including the use of debt financing, grants, and available reserves.

For business-type activities, utility rate adjustments continue to reflect increased operating costs, ongoing system maintenance, and capital reinvestment needs. Inflationary pressures continue to create uncertainty in both revenue projections and expense assumptions, while the City remains focused on cost containment efforts.

Appointed and elected officials continue to work together to balance priorities, manage financial risks, and ensure the continued delivery of essential services to the community.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Redwood Falls, P.O. Box 526, 333 S Washington St., Redwood Falls, MN 56283, by email at info@ci.redwoodfalls.mn.us or by phone at 507-616-7400.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Redwood Falls, Minnesota
Statement of Net Position
December 31, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 10,511,064	\$ 6,068,983	\$ 16,580,047
Cash and investments - restricted	-	724,400	724,400
Receivables			
Taxes	102,557	-	102,557
Accounts, net	290,548	1,744,120	2,034,668
Accrued interest	29,124	19,764	48,888
Notes	154,095	-	154,095
Leases	83,358	-	83,358
Special assessments	28,168	89,389	117,557
Due from other governments	1,496,062	131,419	1,627,481
Prepaid items	186,934	1,737,496	1,924,430
Property held for resale	2,744,751	-	2,744,751
Inventories	-	261,709	261,709
Internal balances	(1,156,915)	1,156,915	-
Acquisition Costs, net of amortization	-	9,608	9,608
Net pension asset	179,447	-	179,447
Capital assets			
Nondepreciable assets	3,447,652	2,030,346	5,477,998
Depreciable assets (net of accumulated depreciation/amortization)	31,515,695	56,900,496	88,416,191
Total Assets	<u>49,612,540</u>	<u>70,874,645</u>	<u>120,487,185</u>
Deferred Outflows of Resources			
Deferred pension resources	1,550,000	170,615	1,720,615
Deferred other postemployment benefit resources	46,234	28,125	74,359
Total Deferred Outflows of Resources	<u>1,596,234</u>	<u>198,740</u>	<u>1,794,974</u>
Liabilities			
Accounts payables	203,280	594,016	797,296
Contracts payable	183,220	317,378	500,598
Accrued salaries payable	149,243	76,610	225,853
Accrued interest payable	33,613	264,303	297,916
Due to other governments	14,706	78,598	93,304
Customer deposits payable	4,000	115,793	119,793
Unearned revenue	399,858	10,402	410,260
Noncurrent liabilities			
Due within one year			
Other postemployment benefits liability	13,421	8,389	21,810
Long-term liabilities	659,148	1,671,626	2,330,774
Due in more than one year			
Other postemployment benefits liability	323,504	174,317	497,821
Net pension liability	1,670,377	734,558	2,404,935
Long-term liabilities	3,373,957	24,257,587	27,631,544
Total Liabilities	<u>7,028,327</u>	<u>28,303,577</u>	<u>35,331,904</u>
Deferred Inflows of Resources			
Deferred pension resources	2,200,283	526,610	2,726,893
Deferred other postemployment benefit resources	111,187	70,097	181,284
Deferred lease resources	74,709	-	74,709
Total Deferred Inflows of Resources	<u>2,386,179</u>	<u>596,707</u>	<u>2,982,886</u>
Net Position			
Net investment in capital assets	31,324,591	33,216,280	64,540,871
Restricted for			
Police Seizures	30,144	-	30,144
Gildwood Haven	270,729	-	270,729
Debt service	66,568	724,400	790,968
Library	363,223	-	363,223
Port Authority	326,513	-	326,513
Revolving Loans	713,842	-	713,842
Fire pension	179,447	-	179,447
Unrestricted	8,519,211	8,232,421	16,751,632
Total Net Position	<u>\$ 41,794,268</u>	<u>\$ 42,173,101</u>	<u>\$ 83,967,369</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,489,968	\$ 98,149	\$ 5,101	\$ -
Public safety	3,026,433	261,155	525,047	55,935
Highways and streets	1,839,506	1,117	123,045	1,208,104
Culture and recreation	4,328,590	906,457	89,200	426,606
Economic development	186,097	81,333	-	-
Airport	342,223	322,247	23,428	813,618
Interest on long-term debt	139,672	-	-	-
Total Governmental Activities	<u>11,352,489</u>	<u>1,670,458</u>	<u>765,821</u>	<u>2,504,263</u>
Business-type Activities				
Water utility	1,970,555	2,009,601	10,329	8,139
Sewer utility	1,729,773	1,355,013	13,070	3,520,405
Storm sewer utility	412,137	432,341	-	15,948
Electric utility	7,527,320	8,072,636	30,659	-
Municipal liquor store	2,488,231	2,610,057	499	-
Total Business-type Activities	<u>14,128,016</u>	<u>14,479,648</u>	<u>54,557</u>	<u>3,544,492</u>
Total Primary Government	<u>\$ 25,480,505</u>	<u>\$ 16,150,106</u>	<u>\$ 820,378</u>	<u>\$ 6,048,755</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Franchise taxes

Hotel and Motel Tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,386,718)	\$ -	\$ (1,386,718)
(2,184,296)	-	(2,184,296)
(507,240)	-	(507,240)
(2,906,327)	-	(2,906,327)
(104,764)	-	(104,764)
817,070	-	817,070
(139,672)	-	(139,672)
<u>(6,411,947)</u>	<u>-</u>	<u>(6,411,947)</u>
-	57,514	57,514
-	3,158,715	3,158,715
-	36,152	36,152
-	575,975	575,975
-	122,325	122,325
-	<u>3,950,681</u>	<u>3,950,681</u>
<u>(6,411,947)</u>	<u>3,950,681</u>	<u>(2,461,266)</u>
4,289,116	-	4,289,116
181,291	-	181,291
66,836	-	66,836
2,042,861	-	2,042,861
544,859	429,033	973,892
176,734	-	176,734
(1,081,917)	1,081,917	-
<u>6,219,780</u>	<u>1,510,950</u>	<u>7,730,730</u>
(192,167)	5,461,631	5,269,464
<u>41,986,435</u>	<u>36,711,470</u>	<u>78,697,905</u>
<u>\$ 41,794,268</u>	<u>\$ 42,173,101</u>	<u>\$ 83,967,369</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Redwood Falls, Minnesota
Balance Sheet
Governmental Funds
December 31, 2025

	100	405	Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Assets				
Cash and investments	\$ 6,777,063	\$ 1,366,574	\$ 2,135,172	\$ 10,278,809
Accounts receivable, net	140,476	130,311	16,551	287,338
Taxes receivable	78,477	-	24,080	102,557
Accrued interest	18,428	3,850	6,176	28,454
Special assessments	28,168	-	-	28,168
Due from other funds	-	435,751	-	435,751
Advances from Other Funds	522,957	-	-	522,957
Due from other governments	64,932	717,983	713,147	1,496,062
Prepaid items	125,589	-	49,855	175,444
Property held for resale	-	-	2,744,751	2,744,751
Notes Receivable	-	-	154,095	154,095
Lease Receivable	-	-	83,358	83,358
Total Assets	\$ 7,756,090	\$ 2,654,469	\$ 5,927,185	\$ 16,337,744
Liabilities				
Accounts payables	\$ 162,419	\$ 60	\$ 6,813	\$ 169,292
Contract payable	-	99,558	83,662	183,220
Accrued salaries payable	132,813	-	13,625	146,438
Due to other funds	26,837	-	2,303	29,140
Advances from other funds	-	-	958,708	958,708
Due to other governments	14,433	-	128	14,561
Deposits payable	-	-	4,000	4,000
Unearned revenue	287,120	44,833	67,905	399,858
Total Liabilities	623,622	144,451	1,137,144	1,905,217
Deferred Inflows of Resources				
Unavailable revenue - taxes and special assessments	70,835	-	14,552	85,387
Unavailable revenue - notes	-	-	126,096	126,096
Unavailable revenue - grants	9,243	743,994	461,029	1,214,266
Lease resources	-	-	74,709	74,709
Total Deferred Inflows of Resources	80,078	743,994	676,386	1,500,458
Fund Balances				
Nonspendable	648,546	-	2,794,606	3,443,152
Restricted	300,873	-	1,480,868	1,781,741
Committed	-	1,295,365	639,737	1,935,102
Assigned	138,716	470,659	-	609,375
Unassigned	5,964,255	-	(801,556)	5,162,699
Total Fund Balances	7,052,390	1,766,024	4,113,655	12,932,069
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,756,090	\$ 2,654,469	\$ 5,927,185	\$ 16,337,744

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2025

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

Total Fund Balances - Governmental Funds	\$ 12,932,069
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	60,870,440
Less accumulated depreciation	(29,771,447)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
	179,447
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(2,558,163)
Financed purchase agreement payable	(376,373)
Compensated absences payable	(572,261)
Net pension liability	(1,643,480)
Other postemployment benefits payable	(331,309)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable and special assessments receivable	85,387
Notes	126,096
Grants	1,214,266
Governmental funds do not report a liability for accrued interest until due and payable.	
	(29,488)
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	1,543,753
Deferred inflows of pension resources	(2,181,000)
Deferred outflows of other postemployment benefits resources	45,084
Deferred inflows of other postemployment benefits resources	(108,271)
Internal service funds are used by management to charge the costs of various services provided to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	2,369,518
Total Net Position - Governmental Activities	\$ 41,794,268

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	100	405	Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Revenues				
Taxes	\$ 3,392,828	\$ 181,100	\$ 944,219	\$ 4,518,147
Intergovernmental	2,416,781	204,707	937,276	3,558,764
Charges for services	1,048,459	-	377,787	1,426,246
Licenses and permits	151,717	-	-	151,717
Fines and forfeitures	42,747	-	3,027	45,774
Investment earnings	344,625	61,212	127,077	532,914
Contributions	70,522	418,648	17,466	506,636
Miscellaneous	176,477	214,009	10,791	401,277
Total Revenues	<u>7,644,156</u>	<u>1,079,676</u>	<u>2,417,643</u>	<u>11,141,475</u>
Expenditures				
Current				
General government	1,289,579	21,081	-	1,310,660
Public safety	2,774,275	-	22	2,774,297
Highways and streets	1,158,779	93,693	-	1,252,472
Culture and recreation	2,128,182	67,308	550,136	2,745,626
Economic development	112,901	-	83,838	196,739
Airport	-	-	341,497	341,497
Capital outlay				
General government	21,944	11,778	-	33,722
Public safety	106,980	23,445	-	130,425
Highways and streets	-	522,039	-	522,039
Culture and recreation	-	681,800	-	681,800
Airport	-	-	1,202,701	1,202,701
Debt service				
Principal	101,239	-	267,000	368,239
Interest and other	9,442	-	90,684	100,126
Total Expenditures	<u>7,703,321</u>	<u>1,421,144</u>	<u>2,535,878</u>	<u>11,660,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,165)</u>	<u>(341,468)</u>	<u>(118,235)</u>	<u>(518,868)</u>
Other Financing Sources (Uses)				
Transfers in	740,135	70,191	80,269	890,595
Transfers out	(111,324)	(1,855,656)	(68,935)	(2,035,915)
Finance purchase obligation	9,757	-	-	9,757
Sale of capital assets	-	-	37,801	37,801
Total Other Financing Sources (Uses)	<u>638,568</u>	<u>(1,785,465)</u>	<u>49,135</u>	<u>(1,097,762)</u>
Net Change in Fund Balances	579,403	(2,126,933)	(69,100)	(1,616,630)
Fund Balances, January 1	<u>6,472,987</u>	<u>3,892,957</u>	<u>4,182,755</u>	<u>14,548,699</u>
Fund Balances, December 31	<u>\$ 7,052,390</u>	<u>\$ 1,766,024</u>	<u>\$ 4,113,655</u>	<u>\$ 12,932,069</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ (1,616,630)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	2,583,289
Depreciation and amortization expense	(1,746,520)
<p>A gain or loss on the disposal or contribution of capital assets, including the difference between carrying value and any related sales proceeds, is included in net position. However, only the sales proceeds are included in the change in the change in fund balance.</p>	
Book value of capital assets disposed	(56,241)
Capital contribution to other governments	(920,510)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>	
Debt issued	(9,757)
Principal repayments	368,239
Amortization of bond refunding costs	(1,075)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,787
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences	(34,190)
Other postemployment benefits	6,017
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes and special assessments	19,096
Notes	(4,037)
Grants	797,346
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	182,497
Pension revenue from State contributions	91,586
<p>Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.</p>	
	146,936
Change in Net Position - Governmental Activities	\$ (192,167)

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	604 Electric Utility
Assets			
Current Assets			
Cash and investments	\$ 716,832	\$ 779,487	\$ 3,647,526
Cash and investments - restricted	-	-	724,400
Accounts receivable, net	291,603	247,447	1,142,517
Accrued interest receivable	2,046	2,205	12,858
Special assessments receivable	7,176	75,881	2,855
Due from other funds	4,502	2,683	43,691
Due from other governments	-	84,173	34,957
Prepaid items	235,914	12,344	1,477,775
Inventories	-	-	-
Total Current Assets	1,258,073	1,204,220	7,086,579
Noncurrent Assets			
Acquisition Costs, Net of Amortization	-	-	9,608
Capital assets			
Land	54,538	35,524	271,256
Buildings and improvements	20,529,011	25,151,665	30,494,963
Machinery and equipment	1,793,424	1,695,512	4,004,468
Construction in progress	139,318	157,156	43,325
Less accumulated depreciation/amortization	(7,185,798)	(7,283,261)	(17,036,809)
Total Capital Assets (Net of Accumulated Depreciation/Amortization)	15,330,493	19,756,596	17,777,203
Total Noncurrent Assets	15,330,493	19,756,596	17,786,811
Total Assets	16,588,566	20,960,816	24,873,390
Deferred Outflows of Resources			
Deferred pension resources	30,136	25,763	78,248
Deferred other postemployment benefits	5,129	4,599	12,648
Total Deferred Outflows of Resources	35,265	30,362	90,896

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

609 Municipal Liquor Store	Nonmajor		Total	Governmental Activities- Internal Service Funds
	603 Storm Sewer Utility			
\$ 216,122	\$ 709,016	\$ 6,068,983	\$ 232,255	
-	-	724,400	-	
-	62,553	1,744,120	3,210	
607	2,048	19,764	670	
-	3,477	89,389	-	
-	452	51,328	-	
-	12,289	131,419	-	
9,541	1,922	1,737,496	11,490	
261,709	-	261,709	-	
<u>487,979</u>	<u>791,757</u>	<u>10,828,608</u>	<u>247,625</u>	
-	-	9,608	-	
42,900	1,193,049	1,597,267	51,900	
601,262	5,233,907	82,010,808	1,395,395	
180,191	59,425	7,733,020	5,516,071	
-	93,280	433,079	-	
<u>(483,194)</u>	<u>(854,270)</u>	<u>(32,843,332)</u>	<u>(3,099,012)</u>	
<u>341,159</u>	<u>5,725,391</u>	<u>58,930,842</u>	<u>3,864,354</u>	
<u>341,159</u>	<u>5,725,391</u>	<u>58,940,450</u>	<u>3,864,354</u>	
<u>829,138</u>	<u>6,517,148</u>	<u>69,769,058</u>	<u>4,111,979</u>	
27,667	8,801	170,615	6,247	
4,599	1,150	28,125	1,150	
<u>32,266</u>	<u>9,951</u>	<u>198,740</u>	<u>7,397</u>	

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	604 Electric Utility
Liabilities			
Current Liabilities			
Accounts payables	\$ 30,870	\$ 13,179	\$ 444,180
Contracts Payable	10,501	129,157	170,085
Accrued salaries payable	13,146	11,185	36,686
Accrued interest payable	102,641	101,841	24,834
Due to other funds	5,177	13,746	371
Due to other governments	1,373	20	50,195
Customer deposits	-	-	115,793
Unearned Revenue	-	-	10,402
Compensated absences payable - current	18,329	17,034	75,640
Other postemployment benefits liability - current	1,678	1,342	3,691
Bonds payable - current	419,049	333,631	699,000
Total Current Liabilities	<u>602,764</u>	<u>621,135</u>	<u>1,630,877</u>
Noncurrent Liabilities			
Other postemployment benefits liability	28,002	27,831	88,154
Compensated absences payable	19,770	18,773	74,809
Net pension liability	129,747	110,913	336,884
Bonds payable - long-term	7,644,677	7,739,502	6,542,374
Total Noncurrent Liabilities	<u>7,822,196</u>	<u>7,897,019</u>	<u>7,042,221</u>
Total Liabilities	<u>8,424,960</u>	<u>8,518,154</u>	<u>8,673,098</u>
Deferred Inflows of Resources			
Deferred pension resources	93,017	79,514	241,514
Deferred other postemployment benefit resources	11,772	11,665	32,079
Total Deferred Inflows of Resources	<u>104,789</u>	<u>91,179</u>	<u>273,593</u>
Net Position			
Net investment in capital assets	7,256,266	11,554,306	10,778,790
Restricted for bond reserve funds	-	-	724,400
Unrestricted	837,816	827,539	4,514,405
Total Net Position	<u>\$ 8,094,082</u>	<u>\$ 12,381,845</u>	<u>\$ 16,017,595</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Total Net Position of Business-type Activities

Business-type Activities - Enterprise Funds

609 Municipal Liquor Store	Nonmajor		Total	Governmental Activities- Internal Service Funds
	603 Storm Sewer Utility			
\$ 104,559	\$ 1,228	\$ 594,016	\$ 33,988	
-	7,635	317,378	-	
11,359	4,234	76,610	2,805	
-	34,987	264,303	4,125	
1,796	87	21,177	1,011	
27,010	-	78,598	145	
-	-	115,793	-	
-	-	10,402	-	
19,048	9,738	139,789	2,932	
1,342	336	8,389	336	
-	80,157	1,531,837	54,000	
<u>165,114</u>	<u>138,402</u>	<u>3,158,292</u>	<u>99,342</u>	
27,244	3,086	174,317	5,280	
17,741	10,551	141,644	2,376	
119,118	37,896	734,558	26,897	
-	2,189,390	24,115,943	467,000	
<u>164,103</u>	<u>2,240,923</u>	<u>25,166,462</u>	<u>501,553</u>	
<u>329,217</u>	<u>2,379,325</u>	<u>28,324,754</u>	<u>600,895</u>	
85,397	27,168	526,610	19,283	
11,665	2,916	70,097	2,916	
<u>97,062</u>	<u>30,084</u>	<u>596,707</u>	<u>22,199</u>	
171,074	3,455,844	33,216,280	3,343,354	
-	-	724,400	-	
<u>264,051</u>	<u>661,846</u>	<u>7,105,657</u>	<u>152,928</u>	
<u>\$ 435,125</u>	<u>\$ 4,117,690</u>	<u>\$ 41,046,337</u>	<u>\$ 3,496,282</u>	
		<u>1,126,764</u>		
		<u>\$ 42,173,101</u>		

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	604 Electric Utility
Operating Revenues			
Sales	\$ -	\$ -	\$ -
Less cost of sales	-	-	-
Charges for Services	1,972,585	1,328,180	7,695,006
Miscellaneous	37,016	26,833	377,630
Total Operating Revenues	<u>2,009,601</u>	<u>1,355,013</u>	<u>8,072,636</u>
Operating Expenses			
Personnel services	468,428	405,096	1,293,153
Administration and general	295,963	286,105	615,198
Supplies, repairs, services, and rents	454,580	245,758	4,251,008
Depreciation and amortization	508,203	320,935	1,072,471
Benefits or claims paid	-	-	-
Miscellaneous	8,223	56,588	-
Total Operating Expenses	<u>1,735,397</u>	<u>1,314,482</u>	<u>7,231,830</u>
Operating Income (Loss)	<u>274,204</u>	<u>40,531</u>	<u>840,806</u>
Nonoperating Revenues (Expenses)			
Intergovernmental	-	-	-
Investment earnings	25,346	20,612	338,592
Miscellaneous revenue	10,329	13,070	30,659
Interest expense and other	(259,881)	(241,014)	(332,023)
Gain (Loss) on sale of capital assets	-	(188,534)	-
Total Nonoperating Revenues (Expenses)	<u>(224,206)</u>	<u>(395,866)</u>	<u>37,228</u>
Income (Loss) Before Contributions and Transfers	<u>49,998</u>	<u>(355,335)</u>	<u>878,034</u>
Transfers and Capital Contributions			
Transfers In	598,563	958,333	-
Transfers Out	(122,424)	(84,116)	(421,000)
Capital Contributions	8,139	3,520,405	-
Total Transfers and Contributions	<u>484,278</u>	<u>4,394,622</u>	<u>(421,000)</u>
Change in Net Position	534,276	4,039,287	457,034
Net Position - January 1	<u>7,559,806</u>	<u>8,342,558</u>	<u>15,560,561</u>
Net Position, December 31	<u>\$ 8,094,082</u>	<u>\$ 12,381,845</u>	<u>\$ 16,017,595</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in Net Position of Business-type Activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

609 Municipal Liquor Store	Nonmajor 603 Storm Sewer Utility	Total	Governmental Activities- Internal Service Funds
\$ 2,610,057	\$ -	\$ 2,610,057	\$ -
(1,909,393)	-	(1,909,393)	-
-	430,056	11,425,827	2,258,433
-	2,285	443,764	9,670
<u>700,664</u>	<u>432,341</u>	<u>12,570,255</u>	<u>2,268,103</u>
426,454	139,143	2,732,274	86,562
46,245	40,706	1,284,217	55,039
16,731	10,949	4,979,026	205,060
23,103	124,458	2,049,170	437,422
-	-	-	1,458,299
66,729	17,587	149,127	2,455
<u>579,262</u>	<u>332,843</u>	<u>11,193,814</u>	<u>2,244,837</u>
121,402	99,498	1,376,441	23,266
-	-	-	-
9,317	35,166	429,033	11,945
499	-	54,557	1,178
-	(85,153)	(918,071)	(9,993)
-	-	(188,534)	138,933
<u>9,816</u>	<u>(49,987)</u>	<u>(623,015)</u>	<u>142,063</u>
131,218	49,511	753,426	165,329
-	298,760	1,855,656	63,403
(120,000)	(26,199)	(773,739)	-
-	15,948	3,544,492	-
<u>(120,000)</u>	<u>288,509</u>	<u>4,626,409</u>	<u>63,403</u>
11,218	338,020	5,379,835	228,732
<u>423,907</u>	<u>3,779,670</u>	<u>3,267,550</u>	<u>3,267,550</u>
<u>\$ 435,125</u>	<u>\$ 4,117,690</u>	<u>\$ 3,496,282</u>	<u>\$ 3,496,282</u>
		81,796	
		<u>\$ 5,461,631</u>	

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2025

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>601</u> Water Utility	<u>602</u> Wastewater Utility	<u>604</u> Electric Utility
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,955,102	\$ 1,240,396	\$ 8,092,127
Receipts from interfund services provided	-	-	-
Other operating receipts	10,329	13,070	53,706
Payments to suppliers	(733,311)	(608,054)	(4,759,457)
Payments to employees	(540,224)	(468,650)	(1,368,883)
Net Cash Provided by Operating Activities	<u>691,896</u>	<u>176,762</u>	<u>2,017,493</u>
Cash Flows from Noncapital Financing Activities			
Receipt (payment) on interfund loan	(2,778)	(992)	(2,592)
Transfers from other funds	598,563	958,333	-
Transfers to other funds	(122,424)	(84,116)	(421,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>473,361</u>	<u>873,225</u>	<u>(423,592)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(289,542)	(6,329,569)	(1,800,558)
Proceeds from sales of capital assets	-	-	-
Intergovernmental receipts	-	4,516,155	-
Developer receipts	8,139	8,139	-
Proceeds of debt issued	-	1,460,583	-
Principal paid on long-term debt	(421,749)	(279,884)	(677,000)
Interest paid on long-term debt	(257,634)	(228,562)	(332,696)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(960,786)</u>	<u>(853,138)</u>	<u>(2,810,254)</u>
Cash Flows from Investing Activities			
Investment earnings received	<u>28,301</u>	<u>28,076</u>	<u>44,571</u>
Net Increase (Decrease) in Cash and Cash Equivalents	232,772	224,925	(1,171,782)
Cash and Cash Equivalents, January 1	<u>484,060</u>	<u>554,562</u>	<u>4,487,284</u>
Cash and Cash Equivalents, December 31	<u>\$ 716,832</u>	<u>\$ 779,487</u>	<u>\$ 3,315,502</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and temporary investments	\$ 716,832	\$ 779,487	\$ 3,647,526
Cash - designated for capital improvements	<u>-</u>	<u>-</u>	<u>724,400</u>
Statement of Net Position Cash and Cash Equivalents	<u>\$ 716,832</u>	<u>\$ 779,487</u>	<u>\$ 4,371,926</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

609 Municipal Liquor Store	Nonmajor 603 Storm Sewer Utility	Total	Governmental Activities- Internal Service Funds
\$ 2,610,143	\$ 421,867	\$ 14,319,635	\$ -
-	-	-	2,265,023
499	-	77,604	1,178
(2,037,291)	(73,853)	(8,211,966)	(1,714,338)
(514,883)	(151,148)	(3,043,788)	(97,078)
<u>58,468</u>	<u>196,866</u>	<u>3,141,485</u>	<u>454,785</u>
280	(28)	(6,110)	45
-	298,760	1,855,656	63,403
(120,000)	(26,199)	(773,739)	-
<u>(119,720)</u>	<u>272,533</u>	<u>1,075,807</u>	<u>63,448</u>
-	(193,884)	(8,613,553)	(620,010)
-	-	-	50,653
-	-	4,516,155	-
-	15,948	32,226	-
-	-	1,460,583	-
-	(81,241)	(1,459,874)	(53,000)
-	(85,948)	(904,840)	(9,624)
<u>-</u>	<u>(345,125)</u>	<u>(4,969,303)</u>	<u>(631,981)</u>
<u>11,091</u>	<u>34,472</u>	<u>146,511</u>	<u>11,275</u>
(50,161)	158,746	(605,500)	(102,473)
<u>266,283</u>	<u>550,270</u>	<u>6,342,459</u>	<u>334,143</u>
<u>\$ 216,122</u>	<u>\$ 709,016</u>	<u>\$ 5,736,959</u>	<u>\$ 231,670</u>
\$ 216,122	\$ 709,016	6,068,983	232,255
-	-	724,400	-
<u>\$ 216,122</u>	<u>\$ 709,016</u>	<u>\$ 6,793,383</u>	<u>\$ 232,255</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Wastewater Utility	604 Electric Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 274,204	\$ 40,531	\$ 840,806
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Other income related to operations	10,329	13,070	30,659
Depreciation	508,203	320,935	1,071,906
(Increase) decrease in assets			
Accounts receivable	(51,090)	(93,707)	32,339
Special assessments receivable	(3,409)	(20,910)	(986)
Due from other governments	-	-	23,047
Prepaid items	62,778	(3,866)	118,016
Inventories	-	-	-
Acquisition Costs	-	-	(1,136)
Decrease in deferred outflows			
Deferred pension resources	(871)	(256)	(2,095)
Deferred other postemployment benefits recourses	(3,282)	(2,625)	(7,220)
Increase (decrease) in liabilities			
Accounts payables	(37,593)	(15,757)	6,789
Accrued salaries payable	1,588	1,547	6,936
Due to other governments	270	20	(16,355)
Customer deposits payable	-	-	(11,862)
Compensated absences payable	(35,970)	(29,333)	15,474
Other postemployment benefits liability	3,935	3,148	8,656
Net pension liability	(17,393)	(17,325)	(45,995)
Increase in deferred inflows			
Deferred pension resources	(18,379)	(17,571)	(48,353)
Deferred other postemployment benefit resources	(1,424)	(1,139)	(3,133)
Net Cash Provided by Operating Activities	<u>\$ 691,896</u>	<u>\$ 176,762</u>	<u>\$ 2,017,493</u>
Schedule of Noncash Capital and Related Financing Activities			
Amortization of refunding loss	<u>\$ 1,260</u>	<u>\$ 1,627</u>	<u>\$ 11,487</u>
Amortization of bond discount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,213</u>
Capital assets purchased on account	<u>\$ 10,501</u>	<u>\$ 129,157</u>	<u>\$ 7,635</u>
Net disposal of capital assets	<u>\$ -</u>	<u>\$ 188,534</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

609 Municipal Liquor Store	Nonmajor 603 Storm Sewer Utility	Total	Governmental Activities- Internal Service Funds
\$ 121,402	\$ 99,498	\$ 1,376,441	\$ 23,266
499	-	54,557	1,178
23,103	124,458	2,048,605	437,422
86	(4,706)	(117,078)	(3,080)
-	(1,376)	(26,681)	-
-	(4,392)	18,655	-
(1,832)	(746)	174,350	(6,660)
(11,515)	-	(11,515)	-
-	-	(1,136)	-
(451)	409	(3,264)	165
(2,625)	(657)	(16,409)	(657)
13,907	(3,865)	(36,519)	13,030
222	658	10,951	(409)
1,247	-	(14,818)	145
-	-	(11,862)	-
(51,664)	3,391	(98,102)	349
3,148	787	19,674	787
(17,720)	(8,415)	(106,848)	(5,342)
(18,200)	(7,893)	(110,396)	(5,124)
(1,139)	(285)	(7,120)	(285)
<u>\$ 58,468</u>	<u>\$ 196,866</u>	<u>\$ 3,141,485</u>	<u>\$ 454,785</u>
<u>\$ -</u>	<u>\$ 271</u>	<u>\$ 14,645</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,213</u>	<u>\$ -</u>
<u>\$ 170,085</u>	<u>\$ -</u>	<u>\$ 317,378</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,534</u>	<u>\$ 88,280</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Fiduciary Net Position
PACT Custodial Fund
December 31, 2025

	<u>Custodial Funds</u>
Assets	
Special Assessments Receivable	<u>\$ 2,205,685</u>
Net Position	
Restricted for PACE	<u>\$ 2,205,685</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Changes in Fiduciary Net Position
PACE Custodial Fund
For the Year Ended December 31, 2025

	Custodial Funds
Additions	
Special assessment collections for other governments	\$ 204,806
Deductions	
Payments of Special assessments to other governments	220,446
Net Change in Fiduciary Net Position	(15,640)
Net Position, January 1	2,221,325
Net Position, December 31	\$ 2,205,685

The notes to the financial statements are an integral part of this statement.

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City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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.

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.

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.

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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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 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.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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.

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 proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for costs associated with the City's wastewater system and ensure that user charges are sufficient to pay for those costs.

The *Storm Sewer Utility fund* accounts for the costs associated with the City's storm sewer system, which are financed by the storm sewer surcharge, and ensure that user charges are sufficient to pay for those costs.

The *Electric Utility fund* accounts for activities of the City's production and distribution of electricity.

The *Municipal Liquor Store fund* is used to account for the operations of the City's liquor store.

Additionally, the City reports the following fund types:

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.

Fiduciary Funds

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.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2025:

- Brokered Certificates of Deposit (\$246,975), Municipal Obligations (\$4,577,545), Asset-backed Securities (\$4,607,861) and US Treasury securities of (\$3,920,999) are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market (4M) Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and broker money market accounts operate in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

Investment Policy

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with its investment policy, the City will minimize concentration of credit Risk by diversifying the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City will minimize Interest Rate Risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools that limiting the average maturity in accordance with the City cash requirements.

Restricted Cash

The City has received monies restricted for specific purposes. The balance in restricted cash represents unspent deposits of \$724,400 are assets set aside for a debt service reserve fund required under a bond agreement.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Rent receivables have been reported net of uncollectible amounts. Delinquent utility charges are annually certified to the county for collection. The allowance for uncollectible accounts as of December 31, 2025 are shown in the table below:

Fund	Amount
General	\$ 24,731
Library	353
Water Utility	350
Sewer Utility	93
Storm Utility	40
Electric Utility	41,178
Municipal Liquor Store	762
Total allowance for uncollectable accounts	\$ 67,507

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Special Assessments

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

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

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year.

Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent special assessments receivable in governmental funding are completely offset by unavailable revenues. Unavailable revenue in governmental activities is susceptible to full accrual on the government-wide statements.

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

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

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Expense is allocated over the periods benefited using the consumption method. Additionally, prepaid supplies that are to be used on future projects or repairs are recorded as prepaid items.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories

General fund recycled black top inventory is recorded at cost, and disbursements use first-in, first-out (FIFO) method. Airport fuel uses the Last Purchase Price Method. Electric, water, sewer, and the municipal liquor store record purchases at cost and disbursements use the average cost method.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the amounts defined below and an estimated useful life in excess of one year.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

<u>Assets</u>	<u>Threshold</u>
Land	\$ 1
Land Improvements	5,000
Other Improvements	5,000
Buildings	25,000
Building Improvements	25,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	5,000
Transformers	1
Other Assets	5,000

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 except for land and transformers which are defined and having an individual cost of more than \$1 and buildings and building improvements which are defined as having an individual cost of more than \$25,000. Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives In Years
Buildings	10 - 50
Infrastructure	10 - 50
Machinery and Shop Equipment	5 - 20
Office Equipment and Furniture	3 - 20
Right-to-Use Equipment	3 - 20

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.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statements of net position. These items result from actuarial calculations and current year pension and retirement contributions made subsequent to the measurement date.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits, which is paid to the employee upon separation and during the employees employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements and sick pay is accrued when estimated to either be used or paid upon termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

	Governmental activities	Business-type activities	Total
Compensated absences	\$ 577,569	\$ 281,433	\$ 859,002

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB 75, at January 1, 2025. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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 except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Redwood Falls Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension asset.

The total pension expense for the General Employee Plan (GERF), Police and Fire Plan (PEPFP), DCP and the Redwood Falls Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERF	PEPFP	PEDCP		
City's proportionate share	\$ (107,094)	\$ 212,010	\$ 1,021	\$ 74,560	\$ 180,497
Proportionate share of State's contribution	(5,558)	15,143	-	-	9,585
Total pension expense	(\$112,652)	\$227,153	\$1,021	\$74,560	\$190,082

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources: delinquent taxes, special assessments, notes and grants, parking tickets, lot sales, Municipal State Aid Street (MSAS) funding, and miscellaneous rentals and reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefits, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

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.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator and Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The City has formally adopted a fund balance policy for the General fund. The City's policy is to 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.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, selected special revenue and Debt Service funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

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

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Deficit Fund Balances

The following funds had deficits at December 31, 2025:

Fund	Amount
Nonmajor special revenue	
TIF #10-1 Runnings Redevelopment	\$ 522,957
Nonmajor capital project	
Airport Project	278,599
Total	\$ 801,556

These deficits will be eliminated through future tax increment and intergovernmental grant revenue.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds.
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity.
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service.
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity.
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

The bank balance at December 31, 2025 was \$7,411,660. The City's deposits in banks at December 31, 2025 were entirely covered by federal depository insurance and collateral in accordance with Minnesota Statutes.

Investments

As of December 31, 2025, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Cash and Cash Alternatives	N/A	less than 1 year	\$ 46,868	\$ -	\$ -	\$ -
4M Fund	N/A	less than 1 year	595,114	-	-	-
Non-pooled Investments						
Brokered Certificates of Deposit	N/A	less than 1 year	246,975	-	246,975	-
Municipal Obligations	N/A	less than 1 year	747,545	-	747,545	-
Municipal Obligations	A1	less than 1 year	99,442	-	99,442	-
Municipal Obligations	Aa2	less than 1 year	73,805	-	73,805	-
Municipal Obligations	Aa3	less than 1 year	223,803	-	223,803	-
Municipal Obligations	N/A	1 to 5 years	201,629	-	201,629	-
Municipal Obligations	Aaa	1 to 5 years	600,149	-	600,149	-
Municipal Obligations	Aa2	1 to 5 years	546,527	-	546,527	-
Municipal Obligations	Aa3	1 to 5 years	44,269	-	44,269	-
Municipal Obligations	NR	more than 5 years	236,813	-	236,813	-
Municipal Obligations	Aa1	more than 5 years	661,288	-	661,288	-
Municipal Obligations	Aa2	more than 5 years	\$156,002	-	156,002	-
Municipal Obligations	Aa3	more than 5 years	\$986,273	-	986,273	-
Asset-backed securities	NR	1 to 5 years	4,589,422	-	4,589,422	-
Asset-backed securities	NR	more than 5 years	\$18,439	-	18,439	-
U.S. government agency securities	Aa1	less than 1 year	1,248,258	-	1,248,258	-
U.S. government agency securities	AA1	1 to 5 years	486,115	-	486,115	-
U.S. government agency securities	AA1	more than 5 years	2,186,626	-	2,186,626	-
Total Investments			\$ 13,995,362	\$ -	\$ 13,353,380	\$ -

(1) Ratings are provided by Moody's and Standard & Poors where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Cash on Hand

Cash in the possession of the City consisting of petty cash and change funds is shown in the table below.

Cash and Investments Summary

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

Carrying amount of deposits	\$ 3,306,215
Investments	13,995,362
Petty cash	<u>2,870</u>
 Total	 <u><u>\$ 17,304,447</u></u>
 Cash and Cash Equivalents	 \$ 16,580,047
Restricted Assets	<u>724,400</u>
 Total	 <u><u>\$ 17,304,447</u></u>

B. Lease Receivable

The City leases airport hangar and office spaces to various companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be in in 2027; however, new or revised leasing arrangements could occur in the future.

Long-term lease activity for the year ended December 31, 2025 was as follows:

Description	Issue Date	Maturity Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
North Memorial Health Care <i>Hangar facility</i>	01/01/22	12/31/26	2.44 %	\$ 34,744	\$ 35,601
National Mentor Healthcare, LLC <i>2,000 square foot premise</i>	01/01/22	02/28/27	2.44	19,224	23,028
Cubik Promotions, Inc. <i>1,700 square foot premise</i>	07/01/24	06/30/27	3.90	15,702	24,729
 Total leases receivable					 <u><u>\$ 83,358</u></u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 2,943,082	\$ -	\$ (920,510)	\$ 2,022,572
Land improvements	132,361	-	-	132,361
Construction in progress	188,716	2,056,856	(952,853)	1,292,719
Total Capital Assets not Being Depreciated	<u>3,264,159</u>	<u>2,056,856</u>	<u>(1,873,363)</u>	<u>3,447,652</u>
Capital Assets Being Depreciated/Amortized				
Land improvements	2,416,835	62,012	(980)	2,477,867
Buildings	18,877,705	952,855	(14,700)	19,815,860
Infrastructure	29,354,234	267,012	-	29,621,246
Machinery and shop equipment	11,028,319	1,353,388	(1,118,956)	11,262,751
Office equipment and furniture	189,981	-	-	189,981
Library books	361,522	-	(32,686)	328,836
Leased buildings (Intangible right to use asset)	621,480	-	-	621,480
Leased equipment (Intangible right to use asset)	6,860	-	-	6,860
Subscription based asset (Intangible right to use asset)	61,273	-	-	61,273
Total Capital Assets Being Depreciated/Amortized	<u>62,918,209</u>	<u>2,635,267</u>	<u>(1,167,322)</u>	<u>64,386,154</u>
Less Accumulated Depreciation/Amortization for				
Land improvements	(1,248,175)	(122,960)	980	(1,370,155)
Buildings	(9,553,477)	(505,406)	14,700	(10,044,183)
Infrastructure	(14,285,487)	(697,445)	-	(14,982,932)
Machinery and shop equipment	(5,437,686)	(755,581)	615,024	(5,578,243)
Office equipment and furniture	(189,981)	-	-	(189,981)
Library books	(361,522)	-	32,686	(328,836)
Leased buildings (Intangible right to use asset)	(243,189)	(81,063)	-	(324,252)
Leased equipment (Intangible right to use asset)	(5,880)	(980)	-	(6,860)
Subscription based asset (Intangible right to use asset)	(24,510)	(20,507)	-	(45,017)
Total Accumulated Depreciation/Amortization	<u>(31,349,907)</u>	<u>(2,183,942)</u>	<u>663,390</u>	<u>(32,870,459)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>31,568,302</u>	<u>451,325</u>	<u>(503,932)</u>	<u>31,515,695</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,832,461</u>	<u>\$ 2,508,181</u>	<u>\$ (2,377,295)</u>	<u>\$ 34,963,347</u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Depreciation/amortization expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 63,752
Public Safety	320,318
Highways and Streets	607,423
Culture and Recreation	604,064
Airport	150,963
Central Garage	437,422
	<u>2,183,942</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 2,183,942</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,597,267	\$ -	\$ -	\$ 1,597,267
Construction in progress	3,661,442	6,689,241	(9,917,604)	433,079
Total Capital Assets not Being Depreciated	<u>5,258,709</u>	<u>6,689,241</u>	<u>(9,917,604)</u>	<u>2,030,346</u>
Capital Assets Being Depreciated				
Buildings	73,973,930	10,218,886	(2,182,008)	82,010,808
Machinery and shop equipment	8,127,717	386,272	(780,969)	7,733,020
Total Capital Assets Being Depreciated	<u>82,101,647</u>	<u>10,605,158</u>	<u>(2,962,977)</u>	<u>89,743,828</u>
Less Accumulated Depreciation for				
Buildings	(27,334,018)	(1,838,767)	1,993,474	(27,179,311)
Machinery and shop equipment	(6,235,152)	(209,838)	780,969	(5,664,021)
Total Accumulated Depreciation	<u>(33,569,170)</u>	<u>(2,048,605)</u>	<u>2,774,443</u>	<u>(32,843,332)</u>
Total Capital Assets Being Depreciated, Net	<u>48,532,477</u>	<u>8,556,553</u>	<u>(188,534)</u>	<u>56,900,496</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,791,186</u>	<u>\$ 15,245,794</u>	<u>\$ (10,106,138)</u>	<u>\$ 58,930,842</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water Utility	\$ 508,203
Sewer Utility	320,935
Electric Utility	1,071,906
Municipal Liquor Store	23,103
Storm Sewer Utility	124,458
	<u>2,048,605</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,048,605</u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2025. The projects include various airport, street, and road improvements and public facilities projects. At year end the City's commitments with contractors are as follows:

Project	Paid to Date	Contract Remaining
2023 4th Street Reconstruct	\$ 3,938,364	\$ 40,797
Airport Master Plan	138,750	11,250
Runway 12/30 Rehabilitation	285,000	3,222,255
Airport Clear Zone Acquisition Plan	7,500	2,500
2026 Airport Seal Coat	-	66,593
2025 80 by 80 Hangar	783,869	193,173
2025 Navigation Aids & Beacon	50,000	50,000
2025 Apron & Taxiway	33,250	51,750
2026 Taxiway Turnaround Construction Runway	38,000	57,000
2026 Runway 12/30 AGIS Survey	47,500	202,500
Library Expansion Project	410,244	3,834,901
2025 Reflection Cove	609,190	446,054
2025 Centennial Woods	27,129	46,822
Library HVAC	-	345,000
Library South Meeting Room	-	300,000
2026 RACC Reroofing	14,267	4,694
2026 CSAH 24 Turn Lane Improvements	93,625	61,278
2026 AT Trail	36,327	90,673
2026 SRTS Trail	105,732	65,668
Wastewater Facility	8,376,720	482,927
2025 URD Distribution	1,549,535	137,807
2026 URD DISTRIBUTION	42,545	610,881
	<u>\$ 16,587,545</u>	<u>\$ 10,324,521</u>
Total		

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers

Due to/from funds

Due to/from funds represent reclassifications of temporary cash deficits in individual fund and other short term loans expected to be repaid within one year. The amount owing between funds represents reclassification of temporary cash deficits between. At year end, the balances were as follows:

Funds	Receivable	Payable
Governmental Funds		
General Fund	\$ -	\$ 26,837
Capital Projects Fund	435,751	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Library	-	1,257
Airport	-	436,797
Enterprise Funds		
Water Utility	4,502	5,177
Sewer Utility	2,683	13,746
Storm Sewer Utility	452	87
Electric Utility	43,691	371
Municipal Liquor Store	-	1,796
Internal Service Fund		
Central Garage	-	1,011
	<u>\$ 487,079</u>	<u>\$ 487,079</u>

Advances to/from other funds

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. Advances at December 31, 2025 are as follows:

Receivable Fund	Payable Fund	Amount
Advances to/from other funds		
General	TIF #10-1 Runnings Redevelopment	<u>\$ 522,957</u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2025 is as follows:

Fund	Transfers in						Total	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Storm Sewer Fund		Internal Service Funds
Transfers Out								
General	\$ -	\$ 61,525	\$ 20,000	\$ -	\$ -	\$ -	\$ 29,799	\$ 111,324
Capital Projects	-	-	-	598,563	958,333	298,760	-	1,855,656
Nonmajor governmental	-	8,666	60,269	-	-	-	-	68,935
Water	105,305	-	-	-	-	-	17,119	122,424
Sewer	72,069	-	-	-	-	-	12,047	84,116
Storm Sewer	21,761	-	-	-	-	-	4,438	26,199
Electric	421,000	-	-	-	-	-	-	421,000
Municipal Liquor Store	120,000	-	-	-	-	-	-	120,000
Total Transfers In	\$ 740,135	\$ 70,191	\$ 80,269	\$ 598,563	\$ 958,333	\$ 298,760	\$ 63,403	\$ 2,809,654

During the year ended December 31, 2025 the City made the following transfers:

- Unbudgeted transfers include transfers from the Capital Project fund to various utility funds to support capital projects.
- All other transfers are budgeted for or relate to tax increment activity, which was previously approved via the tax increment plan.

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds. The following bonds will be repaid with tax revenue and pledged utility revenue.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Bonds, Series 2020B	\$ 854,000	.55 - 1.3 %	10/1/20	02/01/26	\$ 257,000
General Obligation Bonds, Series 2021A	2,860,000	1.0 - 2.0	05/06/21	02/01/42	2,245,000
G.O. Street Reconstruction Bonds, Series 2022A	1,845,000	3.5 - 3.875	06/01/22	02/01/43	1,730,000
Total General Obligation Bonds					\$ 4,232,000

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirement to maturity for G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities			Total G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 238,163	\$ 68,720	\$ 306,883	\$ 110,837	\$ 24,007	\$ 134,844	\$ 349,000	\$ 92,727	\$ 441,727
2027	210,000	64,620	274,620	138,000	22,591	160,591	348,000	87,211	435,211
2028	215,000	60,495	275,495	141,000	21,098	162,098	356,000	81,593	437,593
2029	220,000	56,258	276,258	144,000	19,511	163,511	364,000	75,769	439,769
2030	220,000	51,899	271,899	80,000	18,275	98,275	300,000	70,174	370,174
2031 - 2035	590,000	202,589	792,589	415,000	76,085	491,085	1,005,000	278,674	1,283,674
2036 - 2040	520,000	115,203	635,203	450,000	41,510	491,510	970,000	156,713	1,126,713
2041 - 2043	345,000	20,372	365,372	195,000	3,950	198,950	540,000	24,322	564,322
Total	\$ 2,558,163	\$ 640,156	\$ 3,198,319	\$ 1,673,837	\$ 227,027	\$ 1,900,864	\$ 4,232,000	\$ 867,183	\$ 5,099,183

General Obligation Notes

The following bonds were issued to finance capital improvements. They will be repaid from future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement Plan Refunding Note, Series 2020A	\$ 780,000	1.9 %	5/11/20	02/01/34	<u>\$ 521,000</u>

Annual debt service requirement to maturity for G.O. improvement notes are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 54,000	\$ 9,386	\$ 63,386
2027	55,000	8,351	63,351
2028	55,000	7,306	62,306
2029	57,000	6,242	63,242
2030	58,000	5,149	63,149
2031 - 2034	242,000	9,291	251,291
Total	\$ 521,000	\$ 45,725	\$ 566,725

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from enterprise funds and are backed by the taxing power of the City.

Description	Authorized	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Revenue Bonds, Series 2013A	\$ 2,065,000	1 - 2.5 %	3/5/13	12/01/27	\$ 315,000
Water Revenue Bonds Series 2018	720,000	3.0 - 3.25	10/1/18	02/01/34	475,000
Electric Revenue Refunding Bonds, Series 2019A	2,415,000	2.35	12/5/19	12/01/31	1,291,000
G.O. Utility Revenue Bonds, Series 2022A	1,650,000	3.5 - 3.875	06/01/22	02/01/43	1,510,000
G.O. Utility Revenue Bonds, Series 2022B	8,000,000	3.5 - 4.0	06/01/22	02/01/48	7,545,000
G.O. Utility Revenue Series 2023A	1,430,000	4.00	09/01/23	02/01/44	1,380,000
Electric Utility Revenue Bonds, Series 2021B	1,205,000	1.9	10/05/21	12/01/36	920,000
Electric Utility Revenue Series 2023B	5,210,000	5.00	12/06/23	12/01/38	<u>4,718,000</u>
Total G.O. Revenue Bonds					<u>\$ 18,154,000</u>

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2026	\$ 1,099,000	\$ 688,225	\$ 1,787,225
2027	1,128,000	650,742	1,778,742
2028	1,011,000	611,879	1,622,879
2029	1,035,000	575,689	1,610,689
2030	1,082,000	538,245	1,620,245
2031 - 2035	4,906,000	2,113,232	7,019,232
2036 - 2040	3,943,000	1,152,567	5,095,567
2041 - 2045	2,620,000	512,311	3,132,311
2046 - 2048	1,330,000	81,200	1,411,200
Total	<u>\$ 18,154,000</u>	<u>\$ 6,924,090</u>	<u>\$ 25,078,090</u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Notes – Direct Borrowing

The following notes were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from enterprise funds and are backed by the taxing power of the City.

Description	Authorized	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Note Series 2009	\$ 6,526,070	2.94 %	11/17/2009	8/20/2039	\$ 3,482,000
G.O. Sewer Revenue Note Series 2024	2,731,873	2.04	09/28/24	08/20/44	2,340,569
Total G.O. Revenue Bonds					<u>\$ 5,822,569</u>

Annual debt service requirements to maturity for General Obligation Revenue Notes – Direct Borrowing are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2026	\$ 322,000	\$ 150,506	\$ 472,506
2027	330,000	148,580	478,580
2028	339,000	139,953	478,953
2029	347,000	131,088	478,088
2030	357,000	122,006	479,006
2031 - 2035	1,927,000	464,894	2,391,894
2036 - 2040	1,887,000	197,987	2,084,987
2041 - 2044	652,000	33,665	685,665
Total	<u>\$ 6,161,000</u>	<u>\$ 1,388,679</u>	<u>\$ 7,549,679</u>

The above repayment schedule includes both current and expected future maturities. The remaining portion of the G.O. Sewer Revenue Note, Series 2024, will be disbursed in 2026.

For the above bonds and notes repaid with pledged revenues, annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer	Electric	Storm Sewer
Revenues	\$ 1,972,585	\$ 1,328,180	\$ 7,695,006	\$ 430,056
Principal and Interest	679,383	508,446	1,009,696	167,189
Percentage of Revenues	34.44 %	38.28 %	13.12 %	38.88 %

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Lease Payables

Leases were issued for the acquisition of office space.

Description	Amount Issued	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Redwood County	\$ 3,100,000	2.70 %	09/02/14	15 years	\$ 7,469 Monthly	<u>\$ 313,272</u>

Annual debt service requirements to maturity for the lease payable are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 82,389	\$ 7,242	\$ 89,631
2027	84,641	4,990	89,631
2028	86,955	2,676	89,631
2029	59,287	467	59,754
Total	<u>\$ 313,272</u>	<u>\$ 15,375</u>	<u>\$ 328,647</u>

Financed Purchase Agreement

Financed purchase agreements were issued to finance public safety purchases.

Description	Amount Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Fleet Cameras	\$ 49,601	NA	05/01/24	05/01/28	\$ 31,741
Fleet Tasers	49,648	NA	01/01/24	05/01/28	<u>31,360</u>
Total Financed Purchase Agreement					<u>\$ 63,101</u>

Annual debt service requirements to maturity for the lease payable are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 20,310	\$ -	\$ 20,310
2027	21,024	-	21,024
2028	21,767	-	21,767
Total	<u>\$ 63,101</u>	<u>\$ -</u>	<u>\$ 63,101</u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 2,825,163	\$ -	\$ (267,000)	\$ 2,558,163	\$ 238,163
G.O. notes	574,000	-	(53,000)	521,000	54,000
Finance Purchase Agreement	72,969	9,757	(19,625)	63,101	20,310
Lease Liability	394,886	-	(81,614)	313,272	82,389
Compensated Absences Payable*	543,030	34,539	-	577,569	264,286
	<u>\$ 4,410,048</u>	<u>\$ 44,296</u>	<u>\$ (421,239)</u>	<u>\$ 4,033,105</u>	<u>\$ 659,148</u>
Governmental Activity Long-term Liabilities					
Business-type Activities					
Bonds Payable					
G.O. bonds	\$ 1,809,837	\$ -	\$ (136,000)	\$ 1,673,837	\$ 110,837
G.O. revenue bonds	19,226,001	-	(1,072,001)	18,154,000	1,099,000
G.O. notes from direct borrowing	4,613,859	1,460,583	(251,873)	5,822,569	322,000
Compensated Absences Payable*	379,535	-	(98,102)	281,433	139,789
Unamortized bond discount	(3,839)	-	1,213	(2,626)	-
	<u>\$ 26,025,393</u>	<u>\$ 1,460,583</u>	<u>\$ (1,556,763)</u>	<u>\$ 25,929,213</u>	<u>\$ 1,671,626</u>
Business-type Activity Long-term Liabilities					

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2025, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid Items	\$ 125,589	\$ -	\$ 49,855	\$ 175,444
Advance	522,957	-	-	522,957
Property Held for Resale	-	-	2,744,751	2,744,751
Total Nonspendable	\$ 648,546	\$ -	\$ 2,794,606	\$ 3,443,152
Restricted for				
Police Seizures	\$ 30,144	\$ -	\$ -	\$ 30,144
Gildwood Haven	270,729	-	-	270,729
Debt service	-	-	97,657	97,657
Library	-	-	354,312	354,312
Port Authority	-	-	315,057	315,057
Revolving Loans	-	-	713,842	713,842
Total Restricted	\$ 300,873	\$ -	\$ 1,480,868	\$ 1,781,741
Committed to				
Airport	\$ -	\$ -	\$ 119,915	\$ 119,915
Fire Equipment	-	-	519,822	519,822
Capital Expenditures	-	1,295,365	-	1,295,365
Total Committed	\$ -	\$ 1,295,365	\$ 639,737	\$ 1,935,102
Assigned to				
Softball Improvements	\$ 5,000	\$ -	\$ -	\$ 5,000
Fire Relief Contribution	133,716	-	-	133,716
Capital Projects - Reflections	-	470,659	-	470,659
Total Assigned	\$ 138,716	\$ 470,659	\$ -	\$ 609,375
Unassigned	\$ 5,964,255	\$ -	\$ (801,556)	\$ 5,162,699

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide

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). These plan provisions are established and administered according to 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.

General Employees Retirement Plan (General 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.

Public Employees Police and Fire Plan (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.

General Employee 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. 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 retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .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.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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 2025 annual increase was 1.25%. 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.

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.

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.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 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, 2025, were \$318,956. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 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, 2025, were \$212,527. The City's contributions were equal to the required contributions as set by state statute.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$1,502,104 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$36,235.

City's proportionate share of the net pension liability	\$ 1,502,104
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>36,235</u>
Total	<u><u>\$ 1,538,339</u></u>

The net pension liability was measured as of June 30, 2025, 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 proportion 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0453% at the end of the measurement period and 0.0461% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$107,094 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$5,558 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 143,118	\$ -
Changes in actuarial assumptions	36,192	345,629
Net difference between projected and actual investment earnings	-	597,702
Changes in proportion	9,218	133,540
Employer contributions subsequent to the measurement date	<u>160,364</u>	<u>-</u>
Total	<u><u>\$ 348,892</u></u>	<u><u>\$ 1,076,871</u></u>

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$160,364 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026		\$	(220,427)
2027			(343,810)
2028			(217,334)
2029			(106,772)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$902,831 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0771% at the end of the measurement period and 0.0787% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$31,297.

City's proportionate share of the net pension liability	\$	902,831
State of Minnesota's proportionate share of the net pension liability associated with the City		31,297
Total	\$	934,128

For the year ended December 31, 2025, the City recognized pension expense of \$212,010 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$15,143 as grant revenue and pension expense for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$6,935 for the year ended December 31, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 417,137	\$ -
Changes in actuarial assumptions	684,635	1,131,210
Net difference between projected and actual earnings on investments	-	402,946
Changes in proportion	53,045	62,592
Employer contributions subsequent to the measurement date	110,368	-
Total	\$ 1,265,185	\$ 1,596,748

The \$110,368 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ 221,072
2027	(196,431)
2028	(446,344)
2029	(39,239)
2030	19,011

E. 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 Return on Investment
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 %	

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, 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 Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police & Fire Plan

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 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 & Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The 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. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. 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. 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.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

H. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 Percent Increase (8.00%)</u>
General Employees Fund	\$ 3,648,375	\$ 1,502,104	\$ (239,005)
Police and Fire Fund	2,365,609	902,831	(298,340)

I. 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.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 5: Defined Contribution Plan

Council Members of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. 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 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,021	\$ 1,021	5.00%	5.00%	5.00%

The City's contributions to the DCP for the years ended December 31, 2025, 2024 and 2023 were \$1,021, \$1,021 and \$1,021, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Redwood Falls Fire Department (the Department) are covered by a defined benefit plan administered by the Redwood Falls Fire Department Relief Association (the Association). As of December 31, 2024, the plan covered 31 active firefighters and six vested terminated or transfers. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

A fire fighter is entitled to a full-service pension upon retirement at the later of age 50 or after completion of 10 years of service.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$76,443 and \$67,065 in 2025 and 2024, respectively, in fire state aid to the plan on behalf of the City Fire Department, which was recorded as a revenue within the City's financial statements. Required employer contributions are calculated annually based on statutory provisions. The City's had no statutorily required contributions to the plan for the year ended December 31, 2025.

D. Pension Costs

At December 31, 2025, the City reported a net pension asset of \$179,447 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department.

At December 31, 2025, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 21,800	\$ 15,309
Changes in Actuarial Assumptions	8,295	36,526
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,439
Contributions to Plan Subsequent to the Measurement Date	76,443	-
Total	\$ 106,538	\$ 53,274

Contributions to the plan made after the measurement date will be recognized through pension expense in the fiscal year ending December 31, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

December 31, 2026	\$ 14,269
December 31, 2027	16,391
December 31, 2028	(32,990)
December 31, 2029	(18,202)
December 31, 2030	(882)
Thereafter	(1,765)

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

E. Actuarial Assumptions

The total pension liability at December 31, 2025 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Salary Increases		2.50%
Investment Rate of Return		6.50%
20-Year Municipal Bond Yield		N/A
Interest on Deferred Amounts	2.00% or 5.00% future annual increase to eligible deferred pension amounts	
Future Benefit Level Increases		N/A

There were no changes in actuarial assumptions in 2025.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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
Cash	10.00 %	3.30 %
Fixed Income	31.00	4.70
Equities	59.00	8.00
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

G. Pension Asset Sensitivity

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
Defined Benefit Plan	\$ (152,808)	\$ (179,447)	\$ (205,146)

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. 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.

I. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 7: Postemployment Benefits Other than Pensions

A. Plan Description

All of the active employees who have access to health insurance and all retirees who have elected to continue coverage on the employer’s medical plan after retirement have been included in this valuation. Post-age 65 retirees and their spouses are excluded as they are assumed to have Medicare as their primary health insurance so no Implicit Rate Subsidy applies.

At December 31, 2025, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	1
Active Plan Members	64
Total Plan Members	65

B. Funding Policy

COPEB benefits have historically been funded on a pay-as-you-go basis (PAYGO). Under GASB 75, plan sponsors may set up a trust and pre-fund the benefits. There is no requirement to pre-fund benefits under GASB 75. However, continuing on a PAYGO basis will create a Total OPEB Liability (TOL) on the balance sheet. Results throughout the report assume continued funding under PAYGO.

For the year ended December 31, 2025, the City’s average contribution rate was 10.69 percent of covered-employee payroll. For the fiscal year 2025, the City did not directly contribute to the plan. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The City’s total OPEB liability of \$519,631 was measured as of January 1, 2025, and the OPEB liability was determined by an actuarial valuation as of January 1, 2025.

The total OPEB liability in the January 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.20%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	4.20%
Inflation Rate	2.50%
Salary Increases	Based on years of service from 3.00% to 11.75%
Medical Trend Rate	6.50% decreasing to 5.00% then 4.00%

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 7: Postemployment Benefits Other than Pensions (Continued)

The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the Measurement Date.

Mortality rates were based on the Pub-2010 General Employee Mortality Table adjusted for mortality improvements using projection scale MP-2021.

The actuarial assumptions used in the valuation were 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 medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates. No adjustment was made for the impact of Covid-19.

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2024	\$ 468,477
Changes for the Year	
Service Costs	40,813
Interest Costs	19,964
Assumption Changes	(48,428)
Differences between expected and actual experience	59,406
Benefit Payment	(20,600)
Net Changes	51,155
 Balances at December 31, 2025	 \$ 519,632

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study.
- The discount rate was changed from 4.00% to 4.20%.
- These changes decreased the liability \$48,428.

Since the prior measurement date, the following plan provisions changed:

- None

Since the prior measurement date, the following benefit terms changed:

- None

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 7: Postemployment Benefits Other than Pensions (Continued)

E. Sensitivity of the Net OPEB Liability

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

1 Percent Decrease 3.2%	Discount Rate Current 4.2%	1 Percent Increase 5.2%
\$ 564,580	\$ 519,631	\$ 477,726

The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

1 Percent Decrease 5.5% Decreasing to 4.0%	Healthcare Cost Trend Rates 6.5% Decreasing to 5.0%	1 Percent Increase 7.5% Decreasing to 6.0%
\$ 457,557	\$ 519,631	\$ 592,915

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City Recognized OPEB expense of \$51,154. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 50,919	\$ 104,271
Changes in Actuarial Assumptions	8,318	77,013
Contributions Paid to OPEB Subsequent to the Measurement Date	15,122	-
Total	\$ 74,359	\$ 181,284

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

2026	\$ (35,405)
2027	(35,405)
2028	(35,404)
2029	(18,971)
2030	1,568
Thereafter	1,570

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2025, the City is under the legal debt margin.

B. 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 \$1,458,299 for the year ended December 31, 2025.

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

	<u>Beginning Payable</u> <u>January 1, 2025</u>	<u>Incurred Claims</u>	<u>Claims Paid</u>	<u>Ending Payable</u> <u>December 31, 2025</u>
Claims Payable	\$ 3,804	\$ 1,458,105	\$ (1,456,431)	\$ 5,478

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.

The City uses Travelers for their Equipment Breakdown Policy.

City of Redwood Falls, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Other Information

C. Contingencies, Concentrations and Other Commitments

Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from Local Government Aid (LGA). The amount received in 2025 was \$2,044,524 for LGA. This accounted for 26.72% percent of General fund revenues.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Redwood Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2025

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0453 %	\$ 1,502,104	\$ 36,235	\$ 1,538,339	\$ 4,105,230	36.6 %	90.8 %
6/30/2024	0.0461	1,704,640	44,079	1,748,719	3,905,704	43.6	89.1
6/30/2023	0.0493	2,756,801	75,907	2,832,708	3,917,354	70.4	83.1
6/30/2022	0.0486	3,849,135	113,015	3,962,150	3,646,239	105.6	76.7
6/30/2021	0.0486	2,075,438	63,400	2,138,838	3,503,864	59.2	87.0
6/30/2020	0.0475	2,847,842	87,701	2,935,543	3,385,893	84.1	79.1
6/30/2019	0.0492	2,720,158	84,496	2,804,654	3,480,782	78.1	80.2
6/30/2018	0.0531	2,945,770	96,729	3,042,499	3,576,608	82.4	79.5
6/30/2017	0.0536	3,421,789	-	3,421,789	3,455,396	99.0	75.9
6/30/2016	0.0536	4,352,054	-	4,352,054	3,329,013	130.7	68.9

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 318,956	\$ 318,956	\$ -	\$ 4,252,746	7.50 %
12/31/2024	298,241	298,241	-	3,976,550	7.50
12/31/2023	287,973	287,973	-	3,839,640	7.50
12/31/2022	279,257	279,257	-	3,723,427	7.50
12/31/2021	268,390	268,390	-	3,578,533	7.50
12/31/2020	265,431	265,431	-	3,539,080	7.50
12/31/2019	256,110	256,110	-	3,414,800	7.50
12/31/2018	265,811	265,811	-	3,544,147	7.50
12/31/2017	265,404	265,404	-	3,538,720	7.50
12/31/2016	254,391	254,391	-	3,391,880	7.50

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - 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 - 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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - 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 - There were no changes in plan provisions since the previous valuation.

City of Redwood Falls, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0771 %	\$ 902,831	\$ 31,297	\$ 934,128	\$ 1,143,858	78.9 %	91.8 %
6/30/2024	0.0787	1,034,969	39,453	1,074,422	566,689	182.6	90.2
6/30/2023	0.0820	1,416,033	57,037	1,473,070	1,077,205	131.5	86.5
6/30/2022	0.0780	3,394,252	148,266	3,542,518	947,114	358.4	70.5
6/30/2021	0.0742	572,745	25,737	598,482	876,895	65.3	93.7
6/30/2020	0.0722	951,673	22,419	974,092	815,918	116.6	87.2
6/30/2019	0.0770	819,742	-	819,742	812,177	100.9	89.3
6/30/2018	0.0687	732,271	-	732,271	724,646	101.1	88.8
6/30/2017	0.0740	999,088	-	999,088	761,498	131.2	85.4
6/30/2016	0.0780	3,130,276	-	3,130,276	748,809	418.0	63.9

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 212,527	\$ 212,527	\$ -	\$ 1,200,716	17.70 %
12/31/2024	200,608	200,608	-	1,133,379	17.70
12/31/2023	188,415	188,415	-	1,064,492	17.70
12/31/2022	175,026	175,026	-	988,847	17.70
12/31/2021	163,727	163,727	-	925,009	17.70
12/31/2020	152,265	152,265	-	860,254	17.70
12/31/2019	140,334	140,334	-	866,259	16.20
12/31/2018	122,905	122,905	-	758,673	16.20
12/31/2017	122,382	122,382	-	755,444	16.20
12/31/2016	122,796	122,796	-	758,000	16.20

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2025 - Assumed rates of salary increases were reduced slightly. Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements. Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment. Assumed rates of disabled retirement were significantly increased, especially for ages over age 30. Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience. Percent married assumption for female retirees lowered from 70% to 65%. Minor changes were made to form of payment assumptions for retirees. Minor changes were made to assumptions made with respect to missing participant data. The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 percent. 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 MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested 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 3.0 percent 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 percent to 60 percent. 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 post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

Changes in Plan Provisions

2025 - The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase). The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%. The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis). The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048. Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 - 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 90.0 percent 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 90.0 percent 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 - An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023. The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years. A one-time non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, 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 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent for non-vested 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 3.0 percent 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 65.0 percent to 60.0 percent. 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

Measurement Date	2024	2023	2022	2021	2020
Total Pension Liability					
Service cost	\$ 44,321	\$ 43,240	\$ 51,526	\$ 47,222	\$ 43,185
Interest	71,502	69,049	57,469	49,918	53,768
Changes of benefit terms	-	-	-	49,570	-
Differences between expected and actual experience	-	-	-	-	-
Changes of assumptions	(29,701)	-	(18,446)	-	16,369
Plan changes	37,273	-	36,458	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-	(61,659)
Gain or loss	22,644	(141,438)	3,481	-	(23,264)
Net Change in Total Pension Liability	<u>146,039</u>	<u>(29,149)</u>	<u>130,488</u>	<u>146,710</u>	<u>28,399</u>
Total Pension Liability - January 1	<u>1,199,184</u>	<u>1,228,333</u>	<u>1,097,845</u>	<u>951,135</u>	<u>922,736</u>
Total Pension Liability - December 31 (a)	<u>\$ 1,345,223</u>	<u>\$ 1,199,184</u>	<u>\$ 1,228,333</u>	<u>\$ 1,097,845</u>	<u>\$ 951,135</u>
Plan Fiduciary Net Position					
Municipal contributions	\$ 16,008	\$ -	\$ -	\$ -	\$ 33,000
Nonemployer contributions	67,065	57,876	50,639	49,348	48,968
Net investment income	76,724	68,984	69,672	63,253	64,325
Gain or loss	72,084	65,858	(246,919)	15,133	47,212
Benefit payments, including refunds of employee contributions	-	(141,438)	-	-	(61,659)
Net Change in Plan Fiduciary Net Position	<u>231,881</u>	<u>51,280</u>	<u>(126,608)</u>	<u>127,734</u>	<u>131,846</u>
Plan Fiduciary Net Position - January 1	<u>1,292,789</u>	<u>1,241,509</u>	<u>1,368,117</u>	<u>1,240,383</u>	<u>1,108,537</u>
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 1,524,670</u>	<u>\$ 1,292,789</u>	<u>\$ 1,241,509</u>	<u>\$ 1,368,117</u>	<u>\$ 1,240,383</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u>\$ (179,447)</u>	<u>\$ (93,605)</u>	<u>\$ (13,176)</u>	<u>\$ (270,272)</u>	<u>\$ (289,248)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	113.34%	107.81%	101.07%	124.62%	130.41%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

| Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

2019	2018	2017	2016	2015
\$ 42,132	\$ 41,904	\$ 39,825	\$ 38,783	\$ 39,490
51,920	47,341	42,204	42,899	43,103
-	38,476	14,361	10,210	11,786
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(64,291)	-	(18,250)	(69,977)	(202,897)
-	(16,170)	-	(1,217)	-
<u>29,761</u>	<u>111,551</u>	<u>78,140</u>	<u>20,698</u>	<u>(108,518)</u>
<u>892,975</u>	<u>781,424</u>	<u>703,284</u>	<u>682,586</u>	<u>791,104</u>
<u>\$ 922,736</u>	<u>\$ 892,975</u>	<u>\$ 781,424</u>	<u>\$ 703,284</u>	<u>\$ 682,586</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,081
47,109	45,894	46,851	47,601	50,827
54,089	(44,878)	66,497	58,342	(6,135)
122,354	-	-	-	-
(64,291)	-	(18,250)	(69,977)	(202,897)
<u>159,261</u>	<u>1,016</u>	<u>95,098</u>	<u>35,966</u>	<u>(156,124)</u>
<u>949,276</u>	<u>948,260</u>	<u>853,162</u>	<u>817,196</u>	<u>973,320</u>
<u>\$ 1,108,537</u>	<u>\$ 949,276</u>	<u>\$ 948,260</u>	<u>\$ 853,162</u>	<u>\$ 817,196</u>
<u>\$ (185,801)</u>	<u>\$ (56,301)</u>	<u>\$ (166,836)</u>	<u>\$ (149,878)</u>	<u>\$ (134,610)</u>
120.14%	106.30%	121.35%	121.31%	119.72%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

City of Redwood Falls, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

Schedule of Employer's Fire Relief Association Contributions

Measurement Year	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2025	\$ 76,443	\$ 76,443	\$ -
12/31/2024	57,876	57,876	-
12/31/2023	50,639	50,639	-
12/31/2022	49,348	49,348	-
12/31/2021	48,968	81,968	(33,000)
12/31/2020	47,109	47,109	-
12/31/2019	45,894	45,894	-
12/31/2018	46,851	46,851	-
12/31/2017	47,601	47,601	-
12/31/2016	50,827	52,908	(2,081)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Redwood Falls, Minnesota
Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Schedule of Changes in the City's OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	40,813	37,194	36,111	54,008	52,435	38,477	37,356	45,642
Interest Costs	19,964	18,354	11,482	10,927	23,583	21,697	22,417	21,402
Assumption Changes	(48,428)	-	(62,135)	-	22,183	-	(20,396)	-
Differences between expected and actual experience	59,406	-	(81,669)	-	(153,616)	-	(121,579)	-
Benefit Payment	(20,600)	(17,275)	(23,012)	(15,464)	(25,338)	(23,697)	(30,801)	(25,251)
Net Change in Total OPEB Liability	51,155	38,273	(119,223)	49,471	(80,753)	36,477	(113,003)	41,793
Total OPEB Liability - Beginning	468,476	430,203	549,426	499,955	580,708	544,231	657,234	615,441
Total OPEB Liability - Ending	\$ 519,631	\$ 468,476	\$ 430,203	\$ 549,426	\$ 499,955	\$ 580,708	\$ 544,231	\$ 657,234
Covered - Employee Payroll	\$ 4,862,043	\$ 4,522,080	\$ 4,390,369	\$ 4,323,320	\$ 4,197,398	\$ 4,034,499	\$ 3,916,989	\$ 4,180,713
City's total OPEB liability as a percentage of covered employee payroll	10.69 %	10.36 %	9.80 %	12.71 %	11.91 %	14.39 %	13.89 %	15.72 %

Changes in assumptions:

- *The health care trend rates were changed to better anticipate short term and long term medical increases.
- *The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study.
- *The discount rate was changed from 4.00% to 4.20%.
- *These changes decreased the liability \$48,428.

Changes in Plan Provisions:

- * None

Changes in benefits:

- *For the fiscal year ending December 31, 2025: None.

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes	\$ 3,372,113	\$ 3,392,828	\$ 20,715
Intergovernmental	2,375,598	2,416,781	41,183
Charges for services	959,321	1,048,459	89,138
Licenses and permits	121,975	151,717	29,742
Fines and forfeitures	28,500	42,747	14,247
Investment earnings	108,100	344,625	236,525
Contributions	13,000	70,522	57,522
Miscellaneous	135,981	176,477	40,496
Total Revenues	<u>7,114,588</u>	<u>7,644,156</u>	<u>529,568</u>
Expenditures			
Current			
General government	1,371,794	1,289,579	82,215
Public safety	2,744,251	2,774,275	(30,024)
Highway and streets	1,395,436	1,158,779	236,657
Culture and recreation	2,089,437	2,128,182	(38,745)
Housing and economic development	103,807	112,901	(9,094)
Capital outlay			
General government	-	21,944	(21,944)
Public safety	76,435	106,980	(30,545)
Debt service			
Principal	-	101,239	(101,239)
Interest and other	-	9,442	(9,442)
Total Expenditures	<u>7,781,160</u>	<u>7,703,321</u>	<u>77,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(666,572)</u>	<u>(59,165)</u>	<u>607,407</u>
Other Financing Sources (Uses)			
Transfers in	740,135	740,135	-
Transfers out	(49,799)	(111,324)	(61,525)
Finance purchase obligation	-	9,757	9,757
Total Other Financing Sources (Uses)	<u>690,336</u>	<u>638,568</u>	<u>(51,768)</u>
Net Change in Fund Balances	23,764	579,403	555,639
Fund Balances, January 1	<u>6,472,987</u>	<u>6,472,987</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 6,496,751</u>	<u>\$ 7,052,390</u>	<u>\$ 555,639</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplemental Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures did not exceed appropriations within the general fund.

C. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Interest earnings exceeded final budgeted amounts due to conservative budgeting based on market uncertainty.
- Charges for services were over final budgeted amounts primarily due to community center revenues being greater than expected.

Expenditures

- General government expenditures were under final budgeted amounts due to less legal costs than anticipated primarily relating to the City's management information systems.
- Public safety expenditures were over final budget amount due to greater than anticipated professional service expenses relating to protective inspections in the current year.
- Public works expenditures were under final budgeted amount due to less street and alley costs than anticipated.
- Debt service expenditures were greater than the final budgeted amount due to debt service related expenditures not being budgeted for.

D. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Redwood Falls, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2025

	Special Revenue	Debt Service	Capital Projects Airport Project	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 2,039,387	\$ 95,785	\$ -	\$ 2,135,172
Accounts receivable, net	14,840	-	1,711	16,551
Taxes receivable	19,948	4,132	-	24,080
Accrued interest	5,912	264	-	6,176
Due from other governments	51,312	-	661,835	713,147
Prepaid items	49,826	29	-	49,855
Property held for resale	2,744,751	-	-	2,744,751
Notes receivable	154,095	-	-	154,095
Leases receivable	83,358	-	-	83,358
	<u>\$ 5,163,429</u>	<u>\$ 100,210</u>	<u>\$ 663,546</u>	<u>\$ 5,927,185</u>
Total Assets				
Liabilities				
Accounts payables	\$ 6,813	\$ -	\$ -	\$ 6,813
Contracts Payable	-	-	83,662	83,662
Accrued salaries payable	13,625	-	-	13,625
Due to other funds	2,303	-	-	2,303
Advances from other funds	522,957	-	435,751	958,708
Due to other governments	128	-	-	128
Deposits payable	4,000	-	-	4,000
Unearned revenue	67,905	-	-	67,905
	<u>617,731</u>	<u>-</u>	<u>519,413</u>	<u>1,137,144</u>
Total Liabilities				
Deferred Inflows of Resources				
Unavailable revenue - taxes	12,028	2,524	-	14,552
Unavailable revenue - grants	38,297	-	422,732	461,029
Unavailable revenue - notes	126,096	-	-	126,096
Lease resources	74,709	-	-	74,709
	<u>251,130</u>	<u>2,524</u>	<u>422,732</u>	<u>676,386</u>
Total Deferred Inflows of Resources				
Fund Balances				
Nonspendable	2,794,577	29	-	2,794,606
Restricted	1,383,211	97,657	-	1,480,868
Committed	639,737	-	-	639,737
Unassigned	(522,957)	-	(278,599)	(801,556)
	<u>4,294,568</u>	<u>97,686</u>	<u>(278,599)</u>	<u>4,113,655</u>
Total Fund Balances				
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ 5,163,429</u>	<u>\$ 100,210</u>	<u>\$ 663,546</u>	<u>\$ 5,927,185</u>

City of Redwood Falls, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2025

	Special Revenue	Debt Service	Capital Projects Airport Project	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 795,340	\$ 148,879	\$ -	\$ 944,219
Intergovernmental	123,658	-	813,618	937,276
Charges for services	377,787	-	-	377,787
Fines and forfeitures	3,027	-	-	3,027
Investment earnings	117,953	4,354	4,770	127,077
Contributions	17,466	-	-	17,466
Miscellaneous	10,791	-	-	10,791
Total Revenues	<u>1,446,022</u>	<u>153,233</u>	<u>818,388</u>	<u>2,417,643</u>
Expenditures				
Current				
Public safety	22	-	-	22
Culture and recreation	550,136	-	-	550,136
Economic Development	83,838	-	-	83,838
Airport	334,001	-	7,496	341,497
Capital outlay				
Airport	-	-	1,202,701	1,202,701
Debt service				
Principal	130,000	137,000	-	267,000
Interest	26,094	64,590	-	90,684
Total Expenditures	<u>1,124,091</u>	<u>201,590</u>	<u>1,210,197</u>	<u>2,535,878</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>321,931</u>	<u>(48,357)</u>	<u>(391,809)</u>	<u>(118,235)</u>
Other Financing Sources (Uses)				
Transfers in	5,000	60,269	15,000	80,269
Transfers out	(68,935)	-	-	(68,935)
Sale of capital assets	37,801	-	-	37,801
Total Other Financing Sources (Uses)	<u>(26,134)</u>	<u>60,269</u>	<u>15,000</u>	<u>49,135</u>
Net Change in Fund Balances	295,797	11,912	(376,809)	(69,100)
Fund Balances, January 1	<u>3,998,771</u>	<u>85,774</u>	<u>98,210</u>	<u>4,182,755</u>
Fund Balances, December 31	<u>\$ 4,294,568</u>	<u>\$ 97,686</u>	<u>\$ (278,599)</u>	<u>\$ 4,113,655</u>

City of Redwood Falls, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2025

	211	214	230	232
	Library	Airport	Port Authority	Revolving Loan
Assets				
Cash and investments	\$ 362,121	\$ 120,223	\$ 319,627	\$ 618,180
Accounts receivable, net	1,164	3,676	10,000	-
Taxes receivable	13,566	-	2,415	-
Accrued interest	1,048	349	930	1,790
Due from other Governments	300	27,546	-	-
Prepaid items	5,420	43,026	1,301	-
Property held for resale	-	-	2,744,751	-
Notes receivable	-	-	-	28,000
Leases receivable	-	83,358	-	-
Total Assets	\$ 383,619	\$ 278,178	\$ 3,079,024	\$ 647,970
Liabilities				
Accounts payables	3,127	2,350	1,336	-
Accrued salaries payable	10,566	2,038	1,021	-
Due to other funds	1,257	1,046	-	-
Advances from other funds	-	-	-	-
Due to other governments	26	-	102	-
Deposits payable	-	-	4,000	-
Unearned revenue	-	7,548	-	-
Total Liabilities	14,976	12,982	6,459	-
Deferred Inflows of Resources				
Unavailable revenue - taxes	8,160	-	1,456	-
Unavailable revenue - notes	-	-	-	-
Unavailable revenue - grants	751	27,546	10,000	-
Lease resources	-	74,709	-	-
Total Deferred Inflows of Resources	8,911	102,255	11,456	-
Fund Balances				
Nonspendable	5,420	43,026	2,746,052	-
Restricted	354,312	-	315,057	647,970
Committed	-	119,915	-	-
Unassigned	-	-	-	-
Total Fund Balances	359,732	162,941	3,061,109	647,970
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 383,619	\$ 278,178	\$ 3,079,024	\$ 647,970

235 Downtown Loan Program	250 TIF #10-1 Runnings Redevelopment	227 Fire Equipment Replacement	Total
\$ 65,682	\$ -	\$ 553,554	\$ 2,039,387
-	-	-	14,840
-	-	3,967	19,948
191	-	1,604	5,912
-	-	23,466	51,312
-	-	79	49,826
-	-	-	2,744,751
126,095	-	-	154,095
-	-	-	83,358
<u>\$ 191,968</u>	<u>\$ -</u>	<u>\$ 582,670</u>	<u>\$ 5,163,429</u>
-	-	-	6,813
-	-	-	13,625
-	-	-	2,303
-	522,957	-	522,957
-	-	-	128
-	-	-	4,000
-	-	60,357	67,905
-	522,957	60,357	617,731
-	-	2,412	12,028
126,096	-	-	126,096
-	-	-	38,297
-	-	-	74,709
<u>126,096</u>	<u>-</u>	<u>2,412</u>	<u>251,130</u>
-	-	79	2,794,577
65,872	-	-	1,383,211
-	-	519,822	639,737
-	(522,957)	-	(522,957)
<u>65,872</u>	<u>(522,957)</u>	<u>519,901</u>	<u>4,294,568</u>
<u>\$ 191,968</u>	<u>\$ -</u>	<u>\$ 582,670</u>	<u>\$ 5,163,429</u>

City of Redwood Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2025

	211	214	230	232
	Library	Airport	Port Authority	Revolving Loan
Revenues				
Taxes				
Property taxes	\$ 500,367	\$ -	\$ 88,744	\$ -
Intergovernmental	45,945	21,778	-	-
Charges for services	4,914	322,247	50,626	-
Fines and forfeitures	3,027	-	-	-
Investment earnings	18,439	10,809	19,833	34,106
Contributions	17,466	-	-	-
Miscellaneous	1,237	1,650	-	-
Total Revenues	<u>591,395</u>	<u>356,484</u>	<u>159,203</u>	<u>34,106</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	550,136	-	-	-
Economic development	-	-	79,993	3,566
Airport	-	334,001	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>550,136</u>	<u>334,001</u>	<u>79,993</u>	<u>3,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>41,259</u>	<u>22,483</u>	<u>79,210</u>	<u>30,540</u>
Other Financing Sources (Uses)				
Transfers in	-	5,000	-	-
Transfers out	-	(8,666)	(60,269)	-
Sale of capital assets	-	-	37,801	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,666)</u>	<u>(22,468)</u>	<u>-</u>
Net Change in Fund Balances	41,259	18,817	56,742	30,540
Fund Balances, January 1	<u>318,473</u>	<u>144,124</u>	<u>3,004,367</u>	<u>617,430</u>
Fund Balances, December 31	<u>\$ 359,732</u>	<u>\$ 162,941</u>	<u>\$ 3,061,109</u>	<u>\$ 647,970</u>

235 Downtown Loan Program	250 TIF #10-1 Runnings Redevelopment	227 Fire Equipment Replacement	Total
\$ -	\$ 61,802	\$ 144,427	\$ 795,340
-	-	55,935	123,658
-	-	-	377,787
-	-	-	3,027
3,775	-	30,991	117,953
-	-	-	17,466
7,904	-	-	10,791
<u>11,679</u>	<u>61,802</u>	<u>231,353</u>	<u>1,446,022</u>
-	-	22	22
-	-	-	550,136
3	276	-	83,838
-	-	-	334,001
-	-	130,000	130,000
-	16,698	9,396	26,094
<u>3</u>	<u>16,974</u>	<u>139,418</u>	<u>1,124,091</u>
<u>11,676</u>	<u>44,828</u>	<u>91,935</u>	<u>321,931</u>
-	-	-	5,000
-	-	-	(68,935)
-	-	-	37,801
-	-	-	(26,134)
11,676	44,828	91,935	295,797
54,196	(567,785)	427,966	3,998,771
<u>\$ 65,872</u>	<u>\$ (522,957)</u>	<u>\$ 519,901</u>	<u>\$ 4,294,568</u>

City of Redwood Falls, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2025

	303 Drew Street Bonds	307 Ponderosa Business Park Bonds	350 Community Center Bonds	Total
Assets				
Cash and investments	\$ 83,844	\$ 9,257	\$ 2,684	\$ 95,785
Taxes receivable	3,916	-	216	4,132
Accrued interest	238	26	-	264
Prepaid items	29	-	-	29
Total Assets	<u>\$ 88,027</u>	<u>\$ 9,283</u>	<u>\$ 2,900</u>	<u>\$ 100,210</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	\$ 2,334	\$ -	\$ 190	\$ 2,524
Fund Balances				
Nonspendable	29	-	-	29
Restricted	85,664	9,283	2,710	97,657
Total Fund Balances	<u>85,693</u>	<u>9,283</u>	<u>2,710</u>	<u>97,686</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 88,027</u>	<u>\$ 9,283</u>	<u>\$ 2,900</u>	<u>\$ 100,210</u>

City of Redwood Falls, Minnesota
 Debt Service Funds
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2025

	303 Drew Street Bonds	307 Ponderosa Business Park Bonds	350 Community Center Bonds	Total
Revenues				
Taxes	\$ 148,740	\$ -	\$ 139	\$ 148,879
Investment earnings	3,221	302	831	4,354
Total Revenues	<u>151,961</u>	<u>302</u>	<u>970</u>	<u>153,233</u>
Expenditures				
Debt service				
Principal	80,000	57,000	-	137,000
Interest and other	64,415	175	-	64,590
Total Expenditures	<u>144,415</u>	<u>57,175</u>	<u>-</u>	<u>201,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,546	(56,873)	970	(48,357)
Other Financing Sources (Uses)				
Transfers in	-	60,269	-	60,269
Net Change in Fund Balances	7,546	3,396	970	11,912
Fund Balances, January 1	<u>78,147</u>	<u>5,887</u>	<u>1,740</u>	<u>85,774</u>
Fund Balances, December 31	<u>\$ 85,693</u>	<u>\$ 9,283</u>	<u>\$ 2,710</u>	<u>\$ 97,686</u>

City of Redwood Falls, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued on the Following Pages)
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes			
Property taxes	\$ 3,156,113	\$ 3,144,701	\$ (11,412)
Franchise Tax	176,000	181,291	5,291
Hotel and Motel Tax	40,000	66,836	26,836
Total taxes	<u>3,372,113</u>	<u>3,392,828</u>	<u>20,715</u>
Intergovernmental			
Local government aid	2,044,016	2,044,524	508
Public safety	215,500	252,230	36,730
Highway	116,082	120,027	3,945
Total Intergovernmental	<u>2,375,598</u>	<u>2,416,781</u>	<u>41,183</u>
Charges for services			
Fire protection	106,781	117,776	10,995
Swimming pool fees and concessions	173,000	173,231	231
Park Fees	81,000	88,537	7,537
Administration fees	450	595	145
Miscellaneous general government	27,090	31,777	4,687
Recreation fees	107,000	133,179	26,179
Community center	464,000	503,364	39,364
Total Charges for Services	<u>959,321</u>	<u>1,048,459</u>	<u>89,138</u>
Fees, Licenses, and Permits:			
Business	33,075	35,672	2,597
Nonbusiness	88,900	116,045	27,145
Total Fees, Licenses, and Permits	<u>121,975</u>	<u>151,717</u>	<u>29,742</u>
Fines and forfeitures	<u>28,500</u>	<u>42,747</u>	<u>14,247</u>
Investment earnings	<u>108,100</u>	<u>344,625</u>	<u>236,525</u>
Miscellaneous	<u>135,981</u>	<u>176,477</u>	<u>40,496</u>
Contributions	<u>13,000</u>	<u>70,522</u>	<u>57,522</u>
Total Revenues	<u>7,114,588</u>	<u>7,644,156</u>	<u>529,568</u>

City of Redwood Falls, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures			
Current			
General government			
Mayor and council			
Personnel services	\$ 32,050	\$ 32,204	\$ (154)
Supplies	325	48	277
Other services and charges	1,740	626	1,114
Total mayor and council	<u>34,115</u>	<u>32,878</u>	<u>1,237</u>
City administration			
Personnel services	252,912	254,056	(1,144)
Supplies	5,400	5,313	87
Other services and charges	61,637	60,222	1,415
Total city administration	<u>319,949</u>	<u>319,591</u>	<u>358</u>
Elections			
Personnel services	-	7	(7)
Other services and charges	-	15	(15)
Total elections	<u>-</u>	<u>22</u>	<u>(22)</u>
Finance department			
Personnel services	303,568	300,542	3,026
Supplies	9,300	4,520	4,780
Other services and charges	127,042	122,231	4,811
Total finance department	<u>439,910</u>	<u>427,293</u>	<u>12,617</u>
Management information systems			
Personnel services	46,078	46,726	(648)
Supplies	75,600	54,618	20,982
Other services and charges	290,936	245,892	45,044
Total management information systems	<u>412,614</u>	<u>347,236</u>	<u>65,378</u>
Legal			
Personnel services	136,492	135,627	865
Supplies	600	947	(347)
Other services and charges	11,440	9,474	1,966
Total legal	<u>148,532</u>	<u>146,048</u>	<u>2,484</u>
Building and grounds			
Personnel services	16,654	16,500	154
Other services and charges	20	11	9
Total building and grounds	<u>16,674</u>	<u>16,511</u>	<u>163</u>
Total general government	<u>1,371,794</u>	<u>1,289,579</u>	<u>82,215</u>
Public safety			
Police			
Personnel services	1,949,848	2,009,434	(59,586)
Supplies	89,350	100,568	(11,218)
Other services and charges	335,080	212,578	122,502
Total police	<u>2,374,278</u>	<u>2,322,580</u>	<u>51,698</u>
Fire department			
Personnel services	69,391	80,088	(10,697)
Supplies	39,000	35,783	3,217
Other services and charges	156,610	157,189	(579)
Total fire department	<u>265,001</u>	<u>273,060</u>	<u>(8,059)</u>

City of Redwood Falls, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures			
Current			
Protective inspections			
Personnel services	\$ 89,540	\$ 93,878	\$ (4,338)
Supplies	1,450	829	621
Other services and charges	13,982	83,928	(69,946)
Total protective inspections	<u>104,972</u>	<u>178,635</u>	<u>(73,663)</u>
Total public safety	<u>2,744,251</u>	<u>2,774,275</u>	<u>(30,024)</u>
Public Works			
Public works project coordinator			
Personnel services	38,412	38,218	194
Supplies	1,250	1,119	131
Other services and charges	7,342	4,328	3,014
Total public works project coordinator	<u>47,004</u>	<u>43,665</u>	<u>3,339</u>
Streets and alleys			
Personnel services	402,117	371,611	30,506
Supplies	282,980	166,435	116,545
Other services and charges	663,335	577,068	86,267
Total streets and alleys	<u>1,348,432</u>	<u>1,115,114</u>	<u>233,318</u>
Total Public Works	<u>1,395,436</u>	<u>1,158,779</u>	<u>236,657</u>
Culture and recreation			
Parks and recreation			
Personnel services	1,082,428	1,104,962	(22,534)
Supplies	114,000	125,897	(11,897)
Other services and charges	647,521	637,504	10,017
Total parks and recreation	<u>1,843,949</u>	<u>1,868,363</u>	<u>(24,414)</u>
Pool			
Personnel services	139,158	153,655	(14,497)
Supplies	49,750	43,997	5,753
Other services and charges	56,580	62,167	(5,587)
Total pool	<u>245,488</u>	<u>259,819</u>	<u>(14,331)</u>
Total culture and recreation	<u>2,089,437</u>	<u>2,128,182</u>	<u>(38,745)</u>
Economic development			
Other services and charges	<u>103,807</u>	<u>112,901</u>	<u>(9,094)</u>
Total current expenditures	<u>7,704,725</u>	<u>7,463,716</u>	<u>241,009</u>
Capital outlay			
General government	-	21,944	(21,944)
Public safety	76,435	106,980	(30,545)
Total capital outlay	<u>76,435</u>	<u>128,924</u>	<u>(52,489)</u>

City of Redwood Falls, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures			
Current			
Debt service			
Principal	\$ -	\$ 101,239	\$ (101,239)
Interest and other	-	9,442	(9,442)
Total Debt Service	<u>-</u>	<u>110,681</u>	<u>(110,681)</u>
Total Expenditures	<u>7,781,160</u>	<u>7,703,321</u>	<u>77,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(666,572)</u>	<u>(59,165)</u>	<u>607,407</u>
Other Financing Sources (Uses)			
Transfers in	740,135	740,135	-
Transfers out	(49,799)	(111,324)	(61,525)
Finance purchase obligation	-	9,757	9,757
Total Other Financing Sources (Uses)	<u>690,336</u>	<u>638,568</u>	<u>(51,768)</u>
Net Change in Fund Balances	23,764	579,403	555,639
Fund Balances, January 1	<u>6,472,987</u>	<u>6,472,987</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 6,496,751</u>	<u>\$ 7,052,390</u>	<u>\$ 555,639</u>

City of Redwood Falls, Minnesota
Statement of Net Position
Internal Service Funds
December 31, 2025

	Internal Service Funds		Total
	703 Central Garage	711 Health Reimbursement	
Assets			
Current Assets			
Cash and investments	\$ 157,215	\$ 75,040	\$ 232,255
Accounts receivable	3,210	-	3,210
Accrued interest receivable	451	219	670
Prepaid items	11,490	-	11,490
Total Current Assets	<u>172,366</u>	<u>75,259</u>	<u>247,625</u>
Noncurrent Assets			
Capital assets			
Land	51,900	-	51,900
Buildings and improvements	1,395,395	-	1,395,395
Machinery and equipment	5,516,071	-	5,516,071
Less accumulated depreciation	<u>(3,099,012)</u>	<u>-</u>	<u>(3,099,012)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>3,864,354</u>	<u>-</u>	<u>3,864,354</u>
Total Assets	<u>4,036,720</u>	<u>75,259</u>	<u>4,111,979</u>
Deferred Outflows of Resources			
Deferred pension resources	6,247	-	6,247
Deferred other postemployment benefits	1,150	-	1,150
Total Deferred Outflows of Resources	<u>7,397</u>	<u>-</u>	<u>7,397</u>
Liabilities			
Current Liabilities			
Accounts and other payables	\$ 27,854	\$ 6,134	\$ 33,988
Accrued salaries payable	2,805	-	2,805
Due to other funds	1,011	-	1,011
Due to other governments	145	-	145
Accrued interest payable	4,125	-	4,125
Compensated absences payable - current	2,932	-	2,932
Other postemployment benefits liability - current	336	-	336
Bonds payable - current	54,000	-	54,000
Total Current Liabilities	<u>93,208</u>	<u>6,134</u>	<u>99,342</u>
Noncurrent Liabilities			
Compensated absences payable	2,376	-	2,376
Other postemployment benefits liability	5,280	-	5,280
Net pension liability	26,897	-	26,897
Bonds payable - long-term	467,000	-	467,000
Total Noncurrent Liabilities	<u>501,553</u>	<u>-</u>	<u>501,553</u>
Total Liabilities	<u>594,761</u>	<u>6,134</u>	<u>600,895</u>
Deferred Inflows of Resources			
Deferred pension resources	19,283	-	19,283
Deferred other postemployment benefit resources	2,916	-	2,916
Total Deferred Inflows of Resources	<u>22,199</u>	<u>-</u>	<u>22,199</u>
Net Position			
Net investment in capital assets	3,343,354	-	3,343,354
Unrestricted	83,803	69,125	152,928
Total Net Position	<u>\$ 3,427,157</u>	<u>\$ 69,125</u>	<u>\$ 3,496,282</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2025

	703 Central Garage	711 Health Reimbursement	Total
Operating Revenues			
Charges for services	\$ 792,679	\$ 1,465,754	\$ 2,258,433
Miscellaneous	9,670	-	9,670
Total Operating Revenues	<u>802,349</u>	<u>1,465,754</u>	<u>2,268,103</u>
Operating Expenses			
Personnel services	86,562	-	86,562
Administration and general	55,039	-	55,039
Supplies, repairs, services, and rents	205,060	-	205,060
Depreciation and amortization	437,422	-	437,422
Benefits or claims	-	1,458,299	1,458,299
Miscellaneous	2,455	-	2,455
Total Operating Expenses	<u>786,538</u>	<u>1,458,299</u>	<u>2,244,837</u>
Operating Income (Loss)	<u>15,811</u>	<u>7,455</u>	<u>23,266</u>
Nonoperating Revenues (Expenses)			
Investment earnings	7,383	4,562	11,945
Miscellaneous	1,178	-	1,178
Interest expense and other	(9,993)	-	(9,993)
Gain on sale of capital assets	138,933	-	138,933
Total Nonoperating Revenues (Expenses)	<u>137,501</u>	<u>4,562</u>	<u>142,063</u>
Income (Loss) Before Transfers	153,312	12,017	165,329
Transfers Transfers In	<u>63,403</u>	<u>-</u>	<u>63,403</u>
Change in Net Position	216,715	12,017	228,732
Net Position - January 1	<u>3,210,442</u>	<u>57,108</u>	<u>3,267,550</u>
Net Position, December 31	<u>\$ 3,427,157</u>	<u>\$ 69,125</u>	<u>\$ 3,496,282</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Internal Service Funds
For the Year Ended December 31, 2025

	703 Central Garage	711 Health Reimbursement	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 799,269	\$ 1,465,754	\$ 2,265,023
Other operating receipts	1,178	-	1,178
Payments to suppliers	(258,369)	(1,455,969)	(1,714,338)
Payments to employees	(97,078)	-	(97,078)
Net Cash Provided by Operating Activities	<u>445,000</u>	<u>9,785</u>	<u>454,785</u>
Cash Flows from Noncapital Financing Activities			
Receipt (payment) on interfund loan	45	-	45
Transfers from other funds	63,403	-	63,403
Net Cash Provided (Used) by Noncapital Financing Activities	<u>63,448</u>	<u>-</u>	<u>63,448</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(620,010)	-	(620,010)
Proceeds from sales of capital assets	50,653	-	50,653
Intergovernmental receipts	585	-	585
Principal paid on long-term debt	(53,000)	-	(53,000)
Interest paid on long-term debt	(9,624)	-	(9,624)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(631,396)</u>	<u>-</u>	<u>(631,396)</u>
Cash Flows from Investing Activities			
Investment earnings received	<u>6,932</u>	<u>4,343</u>	<u>11,275</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(116,016)	14,128	(101,888)
Cash and Cash Equivalents, January 1	<u>273,231</u>	<u>60,912</u>	<u>334,143</u>
Cash and Cash Equivalents, December 31	<u>\$ 157,215</u>	<u>\$ 75,040</u>	<u>\$ 232,255</u>

The notes to the financial statements are an integral part of this statement.

City of Redwood Falls, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Internal Service Funds
For the Year Ended December 31, 2025

	703 Central Garage	711 Health Reimbursement	Total
Reconciliation of Operating			
Income (Loss) to Net Cash Provided			
by Operating Activities			
Operating income (loss)	\$ 15,811	\$ 7,455	23,266
Adjustments to reconcile operating income (loss)			
to net cash provided by operating activities			
Other income related to operations	1,178	-	1,178
Depreciation/Amortization	437,422	-	437,422
(Increase) decrease in assets			
Accounts receivable	(3,080)	-	(3,080)
Prepaid items	(6,660)	-	(6,660)
Decrease in deferred outflows			
Deferred pension resources	165	-	165
Deferred other postemployment benefits recourses	(657)	-	(657)
Increase (decrease) in liabilities			
Accounts and other payables	10,700	2,330	13,030
Due to other governments	145	-	145
Accrued salaries payable	(409)	-	(409)
Compensated absences payable	349	-	349
Net pension liability	(5,342)	-	(5,342)
Other postemployment benefits liability	787	-	787
Increase in deferred inflows			
Deferred pension resources	(5,124)	-	(5,124)
Deferred other postemployment benefit resources	(285)	-	(285)
Net Cash Provided	<u>\$ 445,000</u>	<u>\$ 9,785</u>	<u>\$ 454,785</u>
by Operating Activities			
Schedule of Noncash Capital and			
Related Financing Activities			
Book value of disposals and asset trade-ins	<u>\$ 88,280</u>	<u>\$ -</u>	<u>\$ 88,280</u>

The notes to the financial statements are an integral part of this statement.

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OTHER REQUIRED REPORTS

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Redwood Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Redwood Falls as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2026.

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

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



Abdo
Minneapolis, Minnesota
June 10, 2026

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

Honorable Mayor and City Council
City of Redwood Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood Falls, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
June 10, 2026



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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF REDWOOD FALLS
REDWOOD FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE***

Honorable Mayor and City Council
City of Redwood Falls, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Redwood Falls, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
June 10, 2026



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City of Redwood Falls, Minnesota
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2025

Federal Funding Source	Administering Department	Assistance Listing Number	Program Name	Total Federal Expenditures
U.S. Department of Transportation	Minnesota Department of Transportation	20.106	Airport Improvement Program	\$ 1,182,872
U.S. Department of Transportation	Minnesota Department of Transportation	20.205	Highway Planning and Construction	129,793
	Total Federal Awards			<u>\$ 1,312,665</u>

City of Redwood Falls, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Redwood Falls, Minnesota (the City) for the year ended December 31, 2025. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2025, the City did not elect to use the 15% de minimis indirect cost rate.

City of Redwood Falls, Minnesota
 Schedule of Findings, Responses and Questioned Costs
 For the Year Ended December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a).	No

Identification of Major Programs/Projects

	CFDA No.
Airport Improvement Program	20.106
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 1,000,000
Auditee qualified as low-risk auditee?	No

Section II - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

AGENDA RECOMMENDATION

To: City Council

Meeting Date: June 16, 2026

Agenda Item: Variance request – 229 W. 11th Street, Redwood Falls, MN

Recommendation/Action Requested: Planning Commission recommend approval of the variance request.

Summary/Overview: The City received a request for a variance from Rick and Joe Thielen, owner's of Thielen Bus Lines, Inc., to reduce the rear yard setback from 30' to 10' on the north side of the property at 229 W. 11th Street, Parcel #88-001-3200.

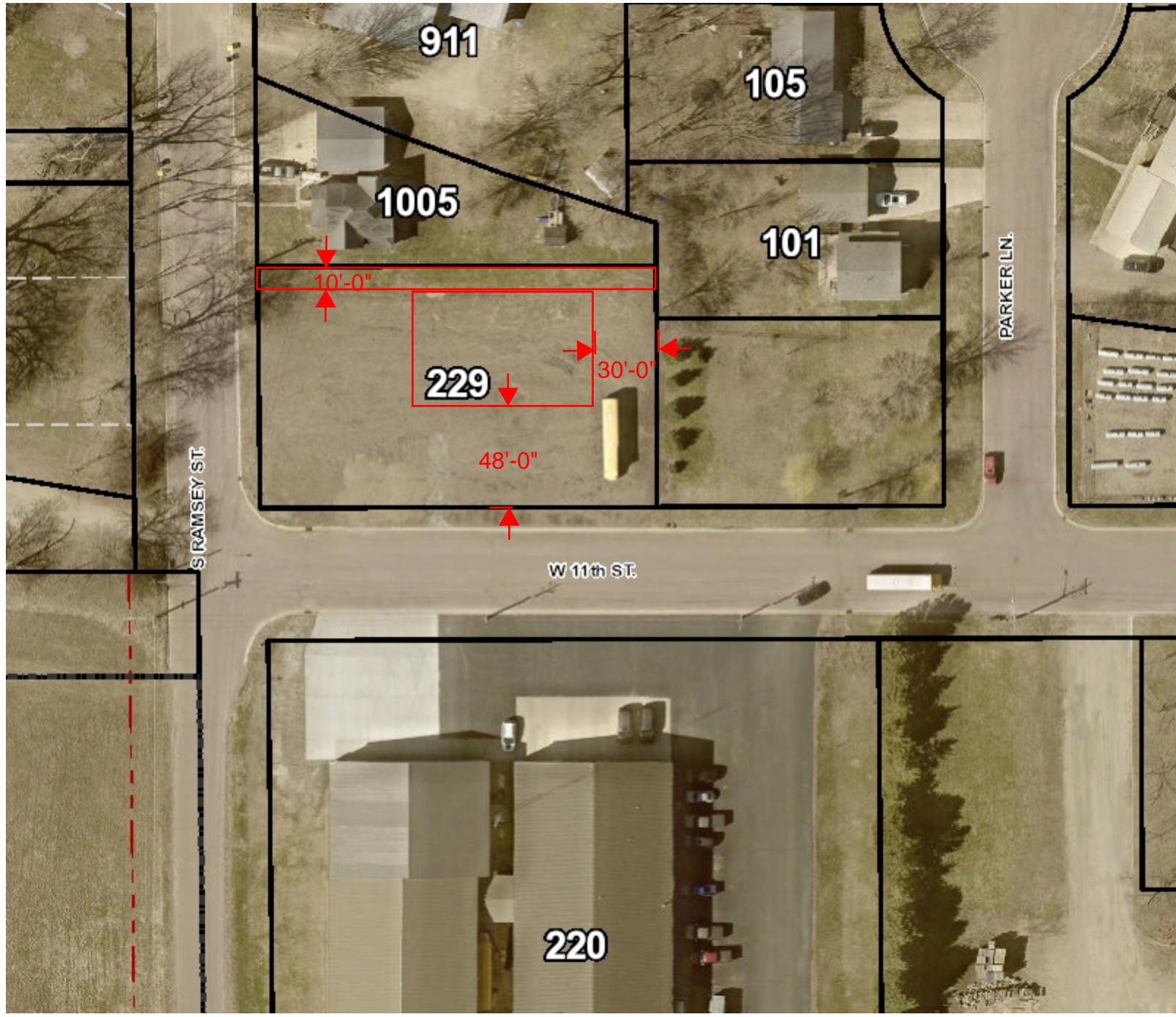
Rick and Joe Thielen are requesting to reduce the setback on the north side of the property from 30' to 10' in order to construct an 84' x 54' building to be used as a bus garage. The property was purchased by Rick Thielen in 2012 and rezoned to B-3 at that time to allow for future expansion of Thielen Bus Lines. The parcel is currently a vacant, gravel lot and is occasionally used to park buses. Due to the length of the buses, more space is needed in front of the proposed building to provide a better line of site for the driver and help to eliminate a safety concern while backing the buses out of the garage. By reducing the rear yard setback and allowing for more space in front of the building, drivers can completely exit the garage without impeding traffic.

Concerns were raised regarding the potential for stormwater runoff to impact neighboring properties. Mr. Thielen informed the Planning Commission that the proposed garage will be equipped with gutters and downspouts connected to an underground drainage tile system designed to capture and direct runoff, thereby minimizing the potential for water to flow onto adjacent properties.

The Planning Commission reviewed the request and determined the variance to reduce the rear yard setback and construct a bus garage meets the required findings as stated in Article 9, Chapter 3.48 of the Unified Development Ordinance. The variance is putting the property to use in a reasonable manner. The Planning Commission feel that the building is consistent with the neighborhood and would not alter the essential character of the neighborhood. The variance will also help to eliminate a valid safety concern.

Planning Commission recommend approval of the variance request.

Attachments: Building Size
Site Map



Legend

- City Limits
- Parcels (10/6/2025)
- Road ROW
- Lot Lines
- 2023 Aerial Photo
- Red: Band_1
- Green: Band_2
- Blue: Band_3

229 W 11th St.



Disclaimer:

This drawing is neither a legally recorded map nor a survey and is not intended to be used as one. This drawing is a compilation of records, information, and data located in various city, county, and state offices, and other sources affecting the area shown, and is to be used for reference purposes only. The City of Redwood Falls is not responsible for any inaccuracies herein contained.

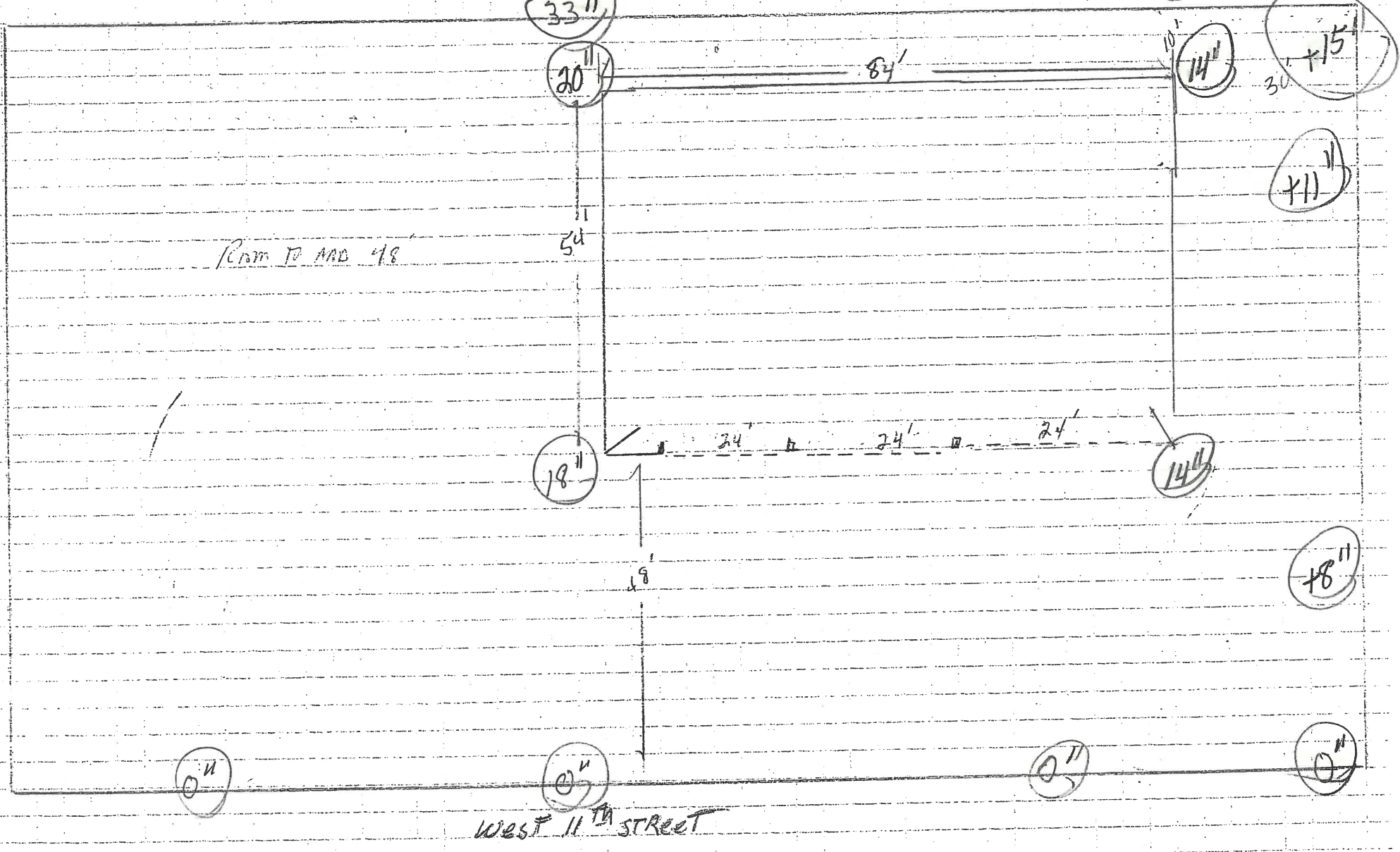


SCALE 1/8" = 4'

LOT SIZE 115' x 187.5'

OR 19

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50



AGENDA RECOMMENDATION

To: City Council

Meeting Date: June 16, 2026

Agenda Item: Conditional Use Permit – 321 E Bridge St, Redwood Falls, MN

Recommendation/Action Requested: Planning Commission recommend approval of the Conditional Use Permit with the listed conditions, to construct a fence in a non-residential zoning district, along a public alleyway, and reduce the setback along the north property line from 10 ft. to 2 ft.

Summary/Overview: The City received a request from Joseph and Ashlee Edman on behalf of Edman Builders, to construct a fence in a non-residential zoning district, along a public alleyway, and reduce the setback along the north property line from 10 ft. to 2 ft. at the property located 321 E Bridge St, Parcel #88-865-0100.

According to the City of Redwood Falls Unified Development Ordinance (UDO) Article 6, Chapter 7.26, “In non-residential districts, fences shall be constructed no closer than ten feet from all public right-of ways (including alleyways) without a conditional use permit.” The reduced setback is being requested as part of the required screening plan for the recently constructed Ziggi’s Coffee. Screening is required by the UDO between a business and the abutting residential district.

In addition to the screening requirement, Edman Builders must comply with additional UDO requirements, including required number of parking spaces and adequate space for efficient traffic flow. In order to meet all of the necessary lot requirements and install the required screening, a reduced setback from 10’ to 2’ is being requested because of the alley located along the north side of the property. The proposed fence will be setback from S. Lincoln Street and will not affect the sightline for drivers entering or exiting the property.

The Planning Commission reviewed the proposed plan for the fence placement and do not have any concerns with the placement.

Planning Commission recommend approval with the following conditions:

1. All fence posts and supporting members shall be erected so that the finished side or sides of the fence face the adjacent property or public right-of-way.
2. Fence shall not exceed ten (10) feet in height based on measurement from the average point between highest and lowest grade.
3. Fence shall provide a minimum of 90% opacity as required by screening requirements.
4. Fence shall be constructed of durable, weather-treated materials widely accepted in the fencing industry and shall blend with the overall character of the neighborhood.
5. Fence and retaining wall base shall be maintained in good repair and safe condition at all times and shall not be permitted to deteriorate to the extent that it becomes hazardous or constitutes a nuisance. Any damage and/or deterioration to the fence and retaining wall base shall be repaired by the property owner and be restored to its original approved condition within a reasonable period of time.

Attachment: Site Map

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

Agenda Item: Library Expansion Project Reimbursement Agreement Addendum – Resolution #34

Recommendation/Action Requested: Read the Resolution or make a motion to waive the reading of the Resolution. Discuss the proposed Resolution. If there are no concerns, adopt the proposed Resolution by motion in accordance with Chapter 4 of the City Charter.

Summary/Overview: In October of 2025, the Redwood Falls City Council and Redwood Area Library Foundation approved a reimbursement agreement outlining the terms under which the Redwood Area Library Foundation agreed to reimburse the City of Redwood Falls for library expansion project expenses. The total estimated project cost was \$4,902,030, of which \$1,358,589 is covered by a State of MN grant and prior donations that have been remitted to the City. Under the terms of the agreement, the Foundation committed to reimbursing the City the remaining anticipated balance of \$3,543,441 with the actual amount being determined by the final construction cost.

The project cost estimate referenced in the original reimbursement agreement does not include any costs related to the furniture, fixtures, and equipment (FFE) needed for the new addition as those numbers were not available when the agreement was prepared. Pricing has been obtained for FFE and the cost estimate of \$149,686 will be paid by the Foundation as an additional project expense. The attached addendum updates the reimbursement agreement to formally include the cost of the furniture, fixtures, and equipment as a reimbursable project expense.

Attachments: Resolution No. 34 of 2026 Approving Addendum
Reimbursement Agreement Addendum

RESOLUTION NO. 34 OF 2026
A RESOLUTION APPROVING ADDENDUM TO LIBRARY EXPANSION PROJECT
REIMBURSEMENT AGREEMENT AND ACCEPTING DONATIONS TO THE CITY.

WHEREAS, the City of Redwood Falls is generally authorized to accept donations of real and personal property pursuant to Minnesota Statutes Section 465.03 et seq. for the benefit of its citizens and is specifically authorized to accept gifts; and

WHEREAS, the City is also authorized to enter into agreements for the benefit of its citizens pursuant to Minn. Stat. §412.221, subd. 2.

WHEREAS, on October 21, 2025, the City Council approved Resolution No. 71 of 2025 – Approving Reimbursement Agreement and Accepting Donations to the City from the Redwood Area Library Foundation (“RALF”) for the Redwood Falls Library Expansion Project (“Project”); and

WHEREAS, the original anticipated total cost of the Project was \$4,902,030 with \$1,358,589 of that cost covered by Minnesota State grants funds and previous private donations; leaving an anticipated balance of \$3,543,441 for RALF to reimburse; and

WHEREAS, RALF agreed to enter into a Reimburse Agreement (“Agreement”) with the City, to dedicate and reimburse the City 100% of the remaining anticipated balance of the Project cost, more or less, as determined by the total expenditures, in the form of donations to the City in the anticipated cash amounts; and

WHEREAS, on April 7, 2026, the Redwood Falls City Council approved the acceptance of grant funding in the amount of \$97,833 for the Redwood Falls Public Library Meeting Room Renovation Project, bringing the total grant funds and private donations for the Project to \$1,456,422; and

WHEREAS, on May 5, 2026, the Redwood Falls City Council approved the purchase of additional library furniture for the project at a cost of \$149,686 contingent upon RALF’s approval; and

WHEREAS, the additional furniture purchase cost of \$149,686 created a new anticipated total Project cost of \$5,051,716 with \$1,456,422 covered by Minnesota grants and private donations, leaving a new anticipated balance of \$3,595,294; and

WHEREAS, RALF is agreeable to the additional furniture purchase cost of \$149,686, the new anticipated total cost of the Project and new anticipated balance; and

WHEREAS, this change in the donation amount has been memorialized within an Addendum to the Agreement which is made a part of this Resolution by reference; all such donations will be contributed to the City for the benefit of its citizens, as allowed by law; and

WHEREAS, all other terms and conditions of the Reimbursement Agreement shall remain in full force and effect; and

WHEREAS, the City Council finds that it is appropriate to accept the donations offered and to approve the Addendum.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDWOOD FALLS, MINNESOTA AS FOLLOWS:

1. The Addendum to the Reimbursement Agreement described above is hereby approved in the form submitted to the City Council and made a part of this Resolution and the Reimbursement Agreement by reference.
2. The Mayor and City Administrator are authorized to execute the Addendum on behalf of the City.
3. The donations described above are accepted and shall be used to establish and/or operate services either alone or in cooperation with others, as allowed by law.
4. The city clerk is hereby authorized, if requested, to issue receipts to the donor acknowledging the City's receipt of the donor's donations.

PASSED AND ADOPTED by the City Council of the City of Redwood Falls, Minnesota, this 16th day of June 2026.

ATTEST:

Keith Muetzel
City Administrator

Tom Quackenbush
Mayor

(City Seal)

Subscribed and sworn to before me this
16th day of June 2026.

Notary Public

**ADDENDUM TO LIBRARY EXPANSION PROJECT REIMBURSEMENT
AGREEMENT BETWEEN THE CITY OF REDWOOD FALLS AND THE REDWOOD
AREA LIBRARY FOUNDATION**

THIS ADDENDUM to the Reimbursement Agreement dated October 21, 2025, is hereby entered into this ____ day of June, 2026, by and between the City of Redwood Falls, a Minnesota home rule charter city, hereinafter referred to as (“City”), and the Redwood Area Library Foundation, a Minnesota Nonprofit Corporation, (“Donor”).

RECITALS

WHEREAS, under the current Reimbursement Agreement (“Agreement”), attached as “Exhibit A,” Donor agreed to dedicate and reimburse the City 100% of the remaining anticipated balance of the Project cost, more or less as determined by total expenditures, in the form of donations for eligible expenses related to the Project; and

WHEREAS, the original anticipated total cost of the Project was \$4,902,030 dollars, with \$1,358,589 of that cost covered by Minnesota State grant funds and previous private donations; leaving an anticipated balance of \$3,543,441 for Donor to reimburse; and

WHEREAS, on April 7, 2026, the Redwood Falls City Council approved the acceptance of grant funding in the amount of \$97,833 for the Redwood Falls Public Library Meeting Room Renovation Project, bringing the total grant funds and private donations for the Project to \$1,456,422; and

WHEREAS, on May 5, 2026, the Redwood Falls City Council approved the purchase of additional library furniture for the project at a cost of \$149,686 contingent upon Donor’s approval; and

WHEREAS, Donor is agreeable to the additional furniture purchase cost of \$149,686 being added to the anticipated total cost of the Project; and

WHEREAS, all other terms and conditions of the Reimbursement Agreement shall remain in full force and effect.

NOW, THEREFORE, City and Donor agree to the following terms and conditions, where incorporated by reference in the Agreement.

1. The additional furniture purchase cost of \$149,686 shall be added to the anticipated total cost of the Project, creating a new anticipated total cost of \$5,051,716 with \$1,456,422 covered by Minnesota grants and private donations, leaving a new anticipated balance of \$3,595,294. Donor agrees to dedicate and reimburse the City 100% of this new remaining anticipated balance of the Project cost, more or less as determined by total expenditures, in the form of donations for eligible expenses related to the Project, subject to the terms of the original Reimbursement Agreement.

IN WITNESS WHEREOF, the parties hereto have caused their authorized representatives to execute and deliver this Addendum, to be effective as of the day and year first above written.

Redwood Area Library Foundation,
a Minnesota Nonprofit Corporation

By: _____
Dean Reiman, Its President

STATE OF MINNESOTA)
) ss.
COUNTY OF REDWOOD)

The foregoing instrument was acknowledged before me on this ____ day of June 2026, by Dean Reiman, the president of Redwood Area Library Foundation, a nonprofit corporation under the laws of Minnesota, on behalf of the corporation.

Notary Public

City of Redwood Falls,
a Minnesota Home Rule Charter City

By: _____
Tom Quackenbush
Mayor

By: _____
Keith Muetzel
City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF REDWOOD)

The foregoing instrument was acknowledged before me on this ____ day of June 2026, by Tom Quackenbush and Keith Muetzel, the Mayor and City Administrator, respectively, of the City of Redwood Falls, a Minnesota charter City, on behalf of the City of Redwood Falls.

Notary Public

AGENDA MEMO

Meeting Date: June 16, 2026

Agenda Item: Ordinance No. 105, Fourth Series – Proposed Zoning Amendments to the Unified Development Ordinance for the Purpose of Amending Permitted Uses in Residential Districts.

Recommendation/Action Requested: Read the proposed ordinance or make a motion to waive the first reading of the ordinance. Discuss the proposed ordinance. If there are no concerns, proposed ordinance will be discussed again at the next Council Meeting on July 7, 2026, with a request for approval by motion in accordance with Chapter 4 of the City Charter.

Summary/Overview: The City of Redwood Falls has the authority to adopt an ordinance pursuant to Minn. Stat. Sec. 462.357, allowing a local unit of government to adopt zoning regulations for the purpose of promoting the public health, safety, morals, and general welfare by regulating on the earth's surface, in the air space above the surface, and in subsurface areas, the location, height, width, bulk, type of foundation, number of stories, size of buildings and other structures and the uses of buildings and structures for trade, industry, residence, recreation, public activities, or other purposes, and the uses of land for trade, industry, residence, recreation, and agriculture.

Ordinance No. 105 amends Table 11.1 within the UDO to allow for the use of single family dwellings and duplexes in the R-4, R-M, and R-B zoning districts; the use of single family dwellings – attached – two to four units in the R-2, R-4, R-M, and R-B zoning districts; and the use of single family dwellings – attached – five to eight units in the R-4, R-M, and R-B zoning districts. Currently, none of these uses are permitted in the listed zoning districts. Ordinance No. 105 also amends and allows for nursing homes in the R-B zoning district. The amendments within Table 11.1 are noted in italicized and underlined text.

On June 9, 2026, after published notice in the Redwood Gazette on May 28, 2026, a public hearing was held by the Planning Commission to discuss Ordinance No. 105, Fourth Series. After the hearing, the Planning Commission adopted the Findings of Fact found in Section 2 of Ordinance No. 105 and recommended approval of Ordinance No. 105.

Attachment: Ordinance No. 105, Fourth Series

ORDINANCE NO. 105, FOURTH SERIES

**AN ORDINANCE AMENDING THE UNIFIED DEVELOPMENT
ORDINANCE, 2014 EDITION, AS PROVIDED IN §14.05 OF THE
REDWOOD FALLS CITY CODE, FOR THE PURPOSE OF AMENDING
PERMITTED USES IN RESIDENTIAL DISTRICTS
WITHIN THE CITY OF REDWOOD FALLS**

THE CITY COUNCIL OF REDWOOD FALLS DOES ORDAIN:

SECTION 1. PURPOSE.

WHEREAS, pursuant to State Statute §462.357 which enables cities to enact land use plans through zoning ordinances, a certain document, one (1) copy of which is on file in the office of the City Administrator of the City of Redwood Falls, being marked and designated as the Unified Development Ordinance, 2014 Edition, was adopted, after public hearing, as the Unified Development Ordinance of the City of Redwood Falls, State of Minnesota by Ordinance No. 44, Fourth Series, on November 7, 2014 by the City Council of Redwood Falls. The Unified Development Ordinance of the City of Redwood Falls, State of Minnesota, was adopted for regulating and governing zoning ordinances for the purpose of promoting public health, safety and the general welfare; for the future layout and landscape of the City for years to come; for the development or preservation of open space; for the redevelopment and revival of existing properties; and to develop future plans for harmonious and healthy land use patterns that are consistent with the goals of the City's Comprehensive Plan; and

WHEREAS, after public hearing, Ordinance No. 90, Fourth Series, adopted on May 21, 2024, adopted the Unified Development Ordinance, 2014 Edition, of the City of Redwood Falls with amendments to sections 7.18, 7.20, and 7.24, modifying, zoning, performance standards, and use designations for pools, residential accessory structures, and solar energy systems; and

WHEREAS, the Unified Development Ordinance, 2014 Edition, continues and remains adopted as the Unified Development Ordinance of the City of Redwood Falls, State of Minnesota. The Unified Development Ordinance, 2014 Edition, and remains on file in the office of the City Administrator of the City of Redwood Falls, is hereby referred to, adopted, and made a part hereof, as if fully set out in this ordinance with amendments as noted below; and

WHEREAS, the Council finds and concludes that the proposed amendments are appropriate and lawful land use regulations for the City of Redwood Falls, that the proposed amendments will promote the community's interest in reasonable stability in zoning for now and in the future, and that the proposed provisions are in the public interest and for the public good; and

SECTION 2. That after a public hearing and review of all the evidence pertaining to the request to amend the Unified Development Ordinance, 2014 Edition, as referenced in Section 7, the City Council of the City of Redwood Falls makes the following:

FINDINGS OF FACT

1. The amendments are consistent with the applicable policies of the City's Comprehensive and Land Use Plan.
2. The amendments do not propose to change the zoning classification of a particular property.
3. The amendments are in the best interest of the public as they promote orderly development and are not solely for the benefit of a single property owner.

SECTION 3. CONFLICT AND REPEAL. That any and all ordinances or parts of ordinances in conflict herewith are hereby repealed.

SECTION 4. SEVERABILITY. That if any section, subsection, sentence, clause or phrase of this ordinance is, for any reason, held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance. The Redwood Falls City Council hereby declares that it would have passed this ordinance, and each section, subsection, clause or phrase thereof irrespective of the fact that anyone or more sections, subsections, sentences, clauses and phrases be declared unconstitutional.

SECTION 5. APPLICATION. That nothing in this ordinance or in the Unified Development Ordinance hereby adopted shall be construed to affect any suit or proceeding impending in any court, or any rights acquired, or liability incurred, or any cause or causes of action acquired or existing, under any act or ordinance hereby repealed as cited in Section 3 of this ordinance; nor shall any just or legal right or remedy of any character be lost, impaired or affected by this ordinance.

SECTION 6. That Chapter 14, Section 14.01 of the Redwood Falls City Code continue to read as follows:

"SEC. 14.01. UNIFIED DEVELOPMENT ORDINANCE. The Unified Development Ordinance, 2014 Edition, is hereby adopted by reference as though set forth verbatim herein. One copy of said Code shall be marked CITY OF REDWOOD FALLS-OFFICIAL COPY and kept on file in the office of the City Administrator and open to inspection and use by the public."

SECTION 7. That Chapter 14, §14.05 of the Redwood Falls City Code be amended to read as follows:

~~**SEC. 14.05 [RESERVED]**~~

"SEC. 14.05. AMENDMENTS TO THE UNIFIED DEVELOPMENT ORDINANCE. *The Unified Development Ordinance, 2014 Edition, as adopted and amended on November 7, 2014, April 6, 2021, May 21, 2024, January 2, 2025, and May 19, 2026, by reference as though set forth verbatim in §14.01, §14.02, §14.03, and §14.04 is hereby amended to read as follows:*

1. Section 11.03 Principal Uses for the Residential Districts

- (A) *In general.* All permitted and conditional uses allowed in the residential districts are listed in Table 11.1.
- (B) *Permitted uses.* Uses specified with a “P” are permitted in the district or districts where designated, provided that the use complies with all other applicable provisions of this ordinance. Persons wishing to establish a permitted use, excluding single or two-family residential uses, shall obtain a zoning certificate for such use as specified in Sections 3.19 through 3.25.
- (C) *Conditional uses.* Uses specified with a “C” are allowed as a conditional use in the district or districts where designated, provided that the use complies with all other applicable provisions of this ordinance. Persons wishing to establish or expand a conditional use shall obtain a conditional use permit for such use as specified in Sections 3.26 through 3.34.
- (D) *Prohibited uses.* Any use not listed as either “P” (permitted) or “C” (conditional) in a particular district or any use not determined by the Zoning Administrator to be substantially similar to a use listed as permitted or conditional shall be prohibited in that district. Such determination shall be made in the manner provided for in Section 3.05 governing determination of substantially similar uses.
- (E) *Specific development standards.* Permitted and conditional uses specified with an “x” under the Specific Development Standards column shall be subject to the standards identified in Chapter 8, Specific Development Standards.

Table 11.1	District							Development Standards
Use	R-R	R-1	R-2	R-3	R-4	R-M	R-B♦	
Residential Uses								
Dwellings								
Single family dwelling, detached	P	P	P	P	<u>P</u>	<u>P</u>	<u>P</u>	
Duplex, Single family dwelling, attached, two units	-	-	P	P	<u>P</u>	<u>P</u>	<u>P</u>	
Single family dwelling, attached, two to four units	-	-	<u>P</u>	P	<u>P</u>	<u>P</u>	<u>P</u>	
Single family dwelling, attached, five to eight units	-	-	-	P	<u>P</u>	<u>P</u>	<u>P</u>	
Multi-family dwelling, three or four units	-	-	-	P	P	-	P	
Multi-family dwelling, five to eight units	-	-	-	P	P	-	P	
Multi-family dwelling, more than eight units	-	-	-	-	P	-	P	

Use	District							Development Standards
	R-R	R-1	R-2	R-3	R-4	R-M	R-B♦	
Manufactured home parks, subdivision	-	-	-	C	C	P	-	
Recreational vehicle park	C	-	-	-	-	-	-	
Relocation of dwelling	C	C	C	C	C	-	C	
Boarding house/home – foster children	-	P	P	P	P	-	-	x
Halfway house	-	-	-	-	-	-	C	x
Congregate Living								
Class A-1 Supervised Living Facility six or fewer	P	P	P	P	P	-	P	
Class A-2 Supervised Living Facility more than 6	P	P	P	P	P	-	P	
Class B-1 Supervised Living facility and non-ambulatory six or fewer	P	P	P	P	P	-	P	
Class B-2 Supervised Living facility and non-ambulatory seven to 16 persons	P	P	P	P	P	-	P	
Class B-3 Supervised Living facility and non-ambulatory over 17 people	P	-	-	C	P	-	C	
Correctional residential care facility, serving up to sixteen persons	P	-	-	C	C	-	C	
Correctional residential care facility, serving seventeen or more persons	P	-	-	C	C	-	C	
Dormitories, student housing	-	-	-	-	P	-	-	
Nursing home, senior housing	P	-	-	-	P	-	P	
Institutional and Public Uses								
Educational Facilities								
Early childhood learning center	C	C	C	C	P	-	P	x
Preschool	C	C	C	C	P	-	P	x
School, grades K-12	-	C	C	P	P	-	P	x
Social, Cultural, Charitable, and Recreational Facilities								
Cemetery	P	C	C	C	C	-	C	
Commercial outdoor recreation, golf, country clubs, swimming pools and similar	C	C	C	C	C	-	C	x
Commercial stables, dog kennels	C	-	-	-	-	-	-	x
Community center	P	C	C	P	P	-	P	x
Hospital	-	-	-	-	-	-	C	x
Outdoor recreation area	P	C	C	C	C	-	C	x
Public Library	-	-	C	P	P	-	P	
Public and private park, playground	P	C	C	C	C	-	C	x
Recreational, travel vehicle camp site	P	-	-	-	-	-	-	x
Religious Institutions								
Convent or monastery	-	-	C	C	P	-	P	
Church, place of assembly	P	C	C	P	P	-	P	x
Commercial Uses								
Airport – Public only	C	-	-	-	-	-	-	x
Bed and breakfast facility	C	C	C	C	C	-	C	x
Child care center	-	P	P	P	P	-	P	x
Home day care facility, serving fourteen or fewer persons	P	P	P	P	P	-	P	x
Home day care facility, serving fifteen to twenty persons	P	P	P	P	P	-	P	-
Offices	-	-	-	-	-	-	C	
Club, Lodge without serving food or beverage	-	-	-	-	-	-	P	x
Medical clinics, dental	-	-	-	-	-	-	C	
Public Service and Utilities								
Electric or gas substation	P	P	P	P	P	P	P	
Essential services	P	P	P	P	P	P	P	
Governmental buildings and structures	C	C	C	C	C	-	C	
Public utility buildings and structures	P	-	-	-	-	-	P	

♦ Note – Those uses that concern the R-B District please see Specific Development Standards in Chapter 8 under Residential Business District which only affect that district.

SECTION 8. EFFECTIVE DATE. That this Ordinance becomes effective from and after its passage and publication of its adoption and reference that a printed copy of the Unified Development Ordinance is available for inspection by any person during regular office hours at the office of the City Administrator.

PASSED AND ADOPTED by the City Council of the City of Redwood Falls, Minnesota, this 7th day of July 2026.

ATTEST:

Keith Muetzel
City Administrator

Tom Quackenbush
Mayor

(City Seal)

Subscribed and sworn to before me this
7th day of July 2026.

Notary Public

Introduction: 06/16/2026
Posting:
Adopted: 07/07/2026
Approval Published:

AGENDA RECOMMENDATION

Meeting Date: June 16, 2026

Agenda Item: Resolution No. 35 of 2026

Recommendation/Action Requested: Read the proposed Resolution or make a motion to waive the reading of the Resolution. Discuss the proposed Resolution. If no concerns, adopt proposed Resolution by motion in accordance with Chapter 4 of the City Charter.

Summary/Overview: In 2024, a new law was passed that would allow a city to adopt a resolution governing the counting of write-in votes for local elective office (see MN Statute 204B.09 subd. 3b).

This new law allows for one of the two methods for counting write in votes:

(1) require the candidate to file a written request with the chief election official no later than the 19th day before the city election if the candidate wants to have the candidate's write-in votes individually recorded;

OR

(2) require that write-in votes for an individual candidate only be individually recorded if the total number of write-in votes for that office is equal to or greater than the fewest number of non-write-in votes for a ballot candidate.

The Redwood County Auditor/Treasurer is recommending City Council approve a Resolution to choose option 1, which would require the candidate to file a written request with the Election Administrator on or before Thursday, October 15, 2026, for the November 3, 2026, election. This way, if someone files a written request, then the election judges will know which person to count the write-in votes for that office. They would not need to include non-registered or frivolous write-in names such as “Donald Duck” for the local city office.

Staff recommend Council approve Resolution No. 35 of 2026.

Attachments: Resolution No. 35 of 2026

RESOLUTION NO. 35 OF 2026

A RESOLUTION GOVERNING WRITE-IN VOTE COUNTING

WHEREAS, Minnesota Statute § 204B.09, subd. 3 authorizes a city to adopt a resolution governing the counting of write-in votes; and

WHEREAS, a city that adopts a resolution must do so before the first day of filing for office; and

WHEREAS, City election officials spend considerable time and resources to count and individually record write-in votes cast, many of which are frivolous; and

WHEREAS, in order to save City time and resources, it is in the best interest of the City of Redwood Falls, to enforce restrictions on the counting of write-in votes consistent with the provisions of Minnesota Statute § 204B.09, subd. 3; and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDWOOD FALLS, MINNESOTA THAT: Any candidate wishing to have their write-in votes individually recorded must file a written request with the Chief Election Official no later than the nineteenth day before any municipal election.

BE IT FURTHER RESOLVED, that pursuant to Minnesota Statute § 204B.09, subd. 3, this resolution shall remain in effect until a subsequent resolution on the same subject is adopted by the City of Redwood Falls.

PASSED AND ADOPTED by the City Council of the City of Redwood Falls, Minnesota, this 16th day of June 2026.

ATTEST:

Keith Muetzel
City Administrator

Tom Quackenbush
Mayor

(City Seal)

Subscribed and sworn to before me this
16th day of June 2026.

Notary Public

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

Agenda Item: Resolution No. 36 of 2026

Recommendation/Action Requested: Read the proposed Resolution or make a motion to waive the reading of the Resolution. Discuss the proposed Resolution. If no concerns, adopt proposed Resolution by motion in accordance with Chapter 4 of the City Charter.

Summary/Overview: This is an amendment to Resolution No. 25 of 2026 passed by Council on April 7, 2026. The Minnesota Department of Education (MDE) has requested an addition to clarify the fund account that the remaining \$202,167.00 balance, minus the grant, will be sourced from. The “City’s Capital Projects Fund” has been added to paragraph 4 of the revised Resolution No. 36. The addition is underlined for reference.

In addition, MDE requested that page 41 of the grant agreement reflecting the sources and uses of funding be changed to show the remaining funding to be paid by the City to provide assurance the funding is in place and secured prior to the project start.

On April 7, 2026, the Council approved the draft (Redwood Falls Public Library Meeting Room Renovation Project) grant agreement of \$97,833.00 as it relates to the Minnesota Department of Education (MDE) notice of award dated February 11, 2026, for the Mary C. Murphy Library Construction Grant - FY2026. The grant agreement is in draft form, for the MDE to add and approve their portions highlighted in yellow to the agreement. The resolution certifies funds on hand as of April 7, 2026, and the sources and uses of funds. Approval also authorizes the mayor to execute the final agreement once routed back from MDE as the listed signatory in the original application. Staff recommend approving this amendment.

Attachments: Resolution No. 36 of 2026
Revised State Grant Agreement

Resolution No 36 of 2026
Amending Resolution No. 25 of 2026
for \$97,833.00, Minnesota Department of Education (MDE)
Grant Funding Assistance for the Redwood Falls Public Library
Meeting Room Renovation Project

BE IT RESOLVED that the City of Redwood Falls, hereinafter referred to as the “Applicant” act as legal sponsor for the Redwood Falls Library Meeting Room Renovation Project or phase described in the City of Redwood Falls application submitted on 11-25-2025 and that Mayor Tom Quackenbush is hereby authorized to apply for the Minnesota Department of Education for funding of this project or phase on behalf of the Applicant.

BE IT FURTHER RESOLVED that the Applicant has the legal authority to apply for financial assistance, and the institutional, administrative, and managerial capability to ensure adequate acquisition, construction, maintenance and protection of the proposed project.

BE IT FURTHER RESOLVED Applicant has the financial capability to provide any required matching funds and that the source of Applicant’s matching funds shall be \$202,167.00 from the Applicant’s Capital Projects Fund and will not include other State funding sources.

BE IT FURTHER RESOLVED that the Applicant hereby pledges to complete the project or phase if it exceeds the total funding provided by the MDE Mary C Murphy Library Construction grant.

BE IT FURTHER RESOLVED that the Applicant has not incurred any reimbursable expenses prior to the effective date of the agreement.

BE IT FURTHER RESOLVED that the Applicant has not violated any Federal, State, or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED that upon approval of its application by the state, the Applicant may enter into an agreement with the State of Minnesota for the above- references project, and that the Applicant certifies that it will comply with all applicable laws and regulations as stated in the contract agreement.

NOW, THEREFORE BE IT RESOLVED that the Mayor of Redwood Falls is hereby authorized to execute such agreements as are necessary to implement the project on behalf of the applicant.

I CERTIFY THAT the above resolution was adopted by the City Council of the City of Redwood Falls on June 16, 2026.

SIGNED:

WITNESSED:

(Signature)

(Signature)

Mayor
(Title)

City Administrator
(Title)

(Date)

(Date)

General Obligation Bond Proceeds

Grant Agreement - End Grant

for the

Redwood Falls Public Library

Meeting Room Renovation

Project

under the

Library Construction Grant Program

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General Obligation Bond Proceeds
Grant Agreement – End Grant
for the
Redwood Falls Public Library
Renovation
Project
under the
Library Construction Grant Program

THIS AGREEMENT shall be effective as of «STATE LIBRARY SERVICES», 2022, and is between the City of Redwood Falls, a Home Rule Charter City (the “Public Entity”), and the Minnesota Department of Education (the “State Entity”).

RECITALS

A. The State Entity has created and is operating a Library Construction Grant Program (the “State Program”) under the authority granted by Minn. Stat. § 134.45 and all rules related to such legislation (the “State Program Enabling Legislation”).

B. Under the State Program, the State Entity is authorized to provide grants that are funded with proceeds of state general obligation bonds authorized to be issued under Article XI, § 5(a) of the Minnesota Constitution.

C. Under the State Program the recipients of a grant must use such funds to perform those functions delineated in the State Program Enabling Legislation.

D. The Public Entity submitted, if applicable, a grant application to the State Entity in which the Public Entity requests a grant from the State Program the proceeds of which will be used for the purposes delineated in such grant application.

E. The Public Entity has applied to and been selected by the State Entity for a receipt of a grant from the State Program in an amount of \$97,883.00 (the “Program Grant”), the proceeds must be used by the Public Entity to perform those functions and activities imposed by the State Entity under the State Program and, if applicable, delineated in that certain grant application (the “Grant Application”) attached hereto as **Attachment V** that the Public Entity submitted to the State Entity.

F. Under the provisions contained in Minnesota Statutes, Chapter 134, the Public Entity has been given the authority to perform those functions and activities required of it under the State Program and, if applicable, delineated in Grant Application attached hereto as **Attachment V** that the Public Entity submitted to the State Entity.

G. The Public Entity's receipt and use of the Program Grant to acquire an ownership interest in and/or improve real property (the "Real Property") and, if applicable, structures situated thereon (the "Facility") will cause the Public Entity's ownership interest in all of such real property and structures to become "state bond financed property", as such term is used in Minn. Stat. § 16A.695 (the "G.O. Compliance Legislation") and in that certain "Fourth Order Amending Order of the Commissioner of Finance Relating to Use and Sale of State Bond Financed Property" executed by the Commissioner of Minnesota Management and Budget and dated July 30, 2012, as amended (the "Commissioner's Order"), even though such funds may only be a portion of the funds being used to acquire such ownership interest and/or improve such real property and structures and that such funds may be used to only acquire such ownership interest and/or improve a part of such real property and structures.

H. The Public Entity and the State Entity desire to set forth herein the provisions relating to the granting and disbursement of the proceeds of the Program Grant to the Public Entity and the operation of the Real Property and, if applicable, Facility.

IN CONSIDERATION of the grant described and other provisions in this Agreement, the parties to this Agreement agree as follows.

Article I DEFINITIONS

Section 1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set out respectively after each such term (the meanings to be equally applicable to both the singular and plural forms of the terms defined), unless the context specifically indicates otherwise:

"Agreement" - means this General Obligation Bond Proceeds Grant Agreement - End Grant for the **Redwood Falls Public Library Meeting Room Renovation** Project under the Library Construction Grant Program, as such exists on its original date and any amendments, modifications or restatements thereof.

"Approved Debt" – means public or private debt of the Public Entity that is consented to and approved, in writing, by the Commissioner of MMB, the proceeds of which were or will be used to acquire an ownership interest in or improve the Real Property and, if applicable, Facility, other than the debt on the G.O. Bonds. Approved Debt includes, but is not limited to, all debt delineated in **Attachment III** to this Agreement; provided, however, the Commissioner of MMB is not bound by any amounts delineated in such attachment unless he/she has consented, in writing, to such amounts.

"Code" - means the Internal Revenue Code of 1986, as amended from time to time, and all treasury regulations, revenue procedures and revenue rulings issued pursuant thereto.

"Commissioner of MMB" - means the commissioner of Minnesota Management and Budget, and any designated representatives thereof.

“Commissioner’s Order” - means the “Fourth Order Amending Order of the Commissioner of Finance Relating to Use and Sale of State Bond Financed Property” executed by the Commissioner of Minnesota Management and Budget and dated July 30, 2012, as amended.

“Counterparty” - means any entity with which the Public Entity contracts under a Use Contract. *This definition is only needed and only applies if the Public Entity enters into an agreement with another party under which such other party will operate the Real Property, and if applicable, Facility. For all other circumstances this definition is not needed and should be ignored and treated as if it were left blank, and any reference to this term in this Agreement shall be ignored and treated as if the reference did not exist.*

“Declaration” - means a declaration, or declarations, in the form contained in **Attachment I** to this Agreement and all amendments thereto, indicating that the Public Entity’s ownership interest in the Real Property and, if applicable, Facility is bond financed property within the meaning of the G.O. Compliance Legislation and is subject to certain restrictions imposed thereby.

“Event of Default” - means one or more of those events delineated in Section 2.07.

“Facility”, if applicable, - means **Redwood Falls Public Library**, which is located, or will be constructed and located, on the Real Property and all equipment that is a part thereof that was purchased with the proceeds of the Program Grant.

“Fair Market Value” – means either (i) the price that would be paid by a willing and qualified buyer to a willing and qualified seller as determined by an appraisal that assumes that all liens and encumbrances on the property being sold that negatively affect the value of such property, will be paid and released, or (ii) the price bid by a purchaser under a public bid procedure after reasonable public notice, with the proviso that all liens and encumbrances on the property being sold that negatively affect the value of such property, will be paid and released at the time of acquisition by the purchaser.

“G.O. Bonds” - means that portion of the state general obligation bonds issued under the authority granted in Article XI, § 5(a) of the Minnesota Constitution the proceeds of which are used to fund the Program Grant and any bonds issued to refund or replace such bonds.

“G.O. Compliance Legislation” - means Minn. Stat. § 16A.695, as it may be amended, modified or replaced from time to time unless such amendment, modification or replacement imposes an unconstitutional impairment of a contract right.

“Grant Application” – means that certain grant application attached hereto as **Attachment IV** that the Public Entity submitted to the State Entity. *This definition is only needed and only applies if the Public Entity submitted a grant application to the State Entity. If the Public Entity did not submit a grant application to the State Entity, then this definition*

is not needed and should be ignored and treated as if it were left blank, and any reference to this term in this Agreement shall be ignored and treated as if the reference did not exist.

“Initial Acquisition and Betterment Costs” – means the cost to acquire the Public Entity’s ownership interest in the Real Property and, if applicable, Facility if the Public Entity does not already possess the required ownership interest, and the costs of betterments of the Real Property and, if applicable, Facility; provided, however, the Commissioner of MMB is not bound by any specific amount of such alleged costs unless he/she has consented, in writing, to such amount.

“Leased/Easement Premises” - means the real estate and structures, if any, that are leased to the Public Entity under a Real Property/Facility Lease or granted to the Public Entity under an easement. *This definition is only needed and only applies if the Public Entity’s ownership interest in the Real Property, the Facility, if applicable, or both, is by way of a leasehold interest under a Real Property/Facility Lease or by way of an easement. For all other circumstances this definition is not needed and should be ignored and treated as if it were left blank, and any reference to this term in this Agreement shall be ignored and treated as if the reference did not exist.*

“Lessor/Grantor” – means the fee owner/lessor or grantor of the Leased/Easement Premises. *This definition is only needed and only applies if the Public Entity’s ownership interest in the Real Property, the Facility, if applicable, or both, is by way of a leasehold interest under a Real Property/Facility Lease or by way of an easement. For all other circumstances this definition is not needed and should be ignored and treated as if it were left blank, and any reference to this term in this Agreement shall be ignored and treated as if the reference did not exist.*

“Outstanding Balance of the Program Grant” – means the portion of the Program Grant that has been disbursed to or on behalf of the Public Entity minus any portion thereof previously paid back to the Commissioner of MMB.

“Ownership Value”, if any – means the value, if any, of the Public Entity’s ownership interest in the Real Property and, if applicable, Facility that existed concurrent with the Public Entity’s execution of this Agreement. Such value shall be established by way of an appraisal or by such other manner as may be acceptable to the State Entity and the Commissioner of MMB. The parties hereto agree and acknowledge that such value is **\$1,680,600.00 per County determined valuation**; provided, however, the Commissioner of MMB is not bound by any inserted dollar amount unless he/she has consented, in writing, to such amount. If no dollar amount is inserted and the blank “Not Applicable” is not checked, a rebuttable presumption that the Ownership Value is \$0.00 shall be created. *(The blank “Not Applicable” should only be selected and checked when a portion of the funds delineated in Attachment III attached hereto are to be used to acquire the Public Entity’s ownership interest in the Real Property and, if applicable, Facility, and in such event the value of such ownership interest should be shown in Attachment III and not in this definition for Ownership Value).*

“Program Grant” - means a grant of monies from the State Entity to the Public Entity in the amount identified as the “Program Grant” in Recital E to this Agreement, as the amount thereof may be modified under the provisions contained herein.

“Project” – means the Public Entity’s acquisition, if applicable, of the ownership interests in the Real Property and, if applicable, Facility denoted in Section 2.02 along with the performance of the activities denoted in Section 2.03. *(If the Public Entity is not using any portion of the Program Grant to acquire the ownership interest denoted in Section 2.02, then this definition for Project shall not include the acquisition of such ownership interest, and the value of such ownership interest shall not be included in **Attachment III** hereto and instead shall be included in the definition for Ownership Value under this Section.)*

“Public Entity” - means the entity identified as the “Public Entity” in the lead-in paragraph of this Agreement.

“Real Property” - means the real property located in the County of **Redwood**, State of Minnesota, legally described in **Attachment II** to this Agreement.

“Real Property/Facility Lease” - means a long term lease of the Real Property, the Facility, if applicable, or both by the Public Entity as lessee thereunder. *This definition is only needed and only applies if the Public Entity’s ownership interest in the Real Property, the Facility, if applicable, or both, is a leasehold interest under a lease. For all other circumstances this definition is not needed and should be ignored and treated as if it were left blank, and any reference to this term in this Agreement shall be ignored and treated as if the reference did not exist.*

“State Entity” - means the entity identified as the “State Entity” in the lead-in paragraph of this Agreement.

“State Program” – means the program delineated in the State Program Enabling Legislation.

“State Program Enabling Legislation” – means the legislation contained in the Minnesota statute(s) delineated in Recital A and all rules related to such legislation.

“Subsequent Betterment Costs” – means the costs of betterments of the Real Property and, if applicable, Facility that occur subsequent to the date of this Agreement, are not part of the Project, would qualify as a public improvement of a capital nature (as such term in used in Minn. Constitution Art. XI, §5(a) of the Minnesota Constitution), and the cost of which has been established by way of written documentation that is acceptable to and approved, in writing, by the State Entity and the Commissioner of MMB.

“Use Contract” - means a lease, management contract or other similar contract between the Public Entity and any other entity that involves or relates to any part of the Real Property and/or, if applicable, Facility. *This definition is only needed and only applies if the Public Entity enters into an agreement with another party under which such other party will*

operate the Real Property, and/or if applicable, Facility. For all other circumstances this definition is not needed and should be ignored and treated as if it were left blank, and any reference to this term in this Agreement shall be ignored and treated as if the reference did not exist.

“Useful Life of the Real Property and, if applicable, Facility” – means the term set forth in Section 2.05.V, which was derived as follows: (i) 30 years for Real Property that has no structure situated thereon or if any structures situated thereon will be removed, and no new structures will be constructed thereon, (ii) the remaining useful life of the Facility as of the effective date of this Agreement for Facilities that are situated on the Real Property as of the date of this Agreement, that will remain on the Real Property, and that will not be bettered, or (iii) the useful life of the Facility after the completion of the construction or betterments for Facilities that are to be constructed or bettered.

Article II GRANT

Section 2.01 **Grant of Monies.** The State Entity shall make and issue the Program Grant to the Public Entity and disburse the proceeds in accordance with the provisions of this Agreement. The Program Grant is not intended to be a loan even though the portion thereof that is disbursed may need to be returned to the State Entity or the Commissioner of MMB under certain circumstances.

Section 2.02 **Public Ownership.** The Public Entity acknowledges and agrees that the Program Grant is being funded with the proceeds of G.O. Bonds, and as a result thereof all of the Real Property and, if applicable, Facility must be owned by one or more public entities. Such ownership may be in the form of fee ownership, a Real Property/Facility Lease, or an easement. In order to establish that this public ownership requirement is satisfied, the Public Entity represents and warrants to the State Entity that it has, or will acquire, the following ownership interests in the Real Property and, if applicable, Facility, and, in addition, that it possess, or will possess, all easements necessary for the operation, maintenance and management of the Real Property and, if applicable, Facility in the manner specified in Section 2.04:

(Check the appropriate box for the Real Property and, if applicable, for the Facility.)

Ownership Interest in the Real Property.

- Fee simple ownership of the Real Property.
- A Real Property/Facility Lease for the Real Property that complies with the requirements contained in Section 2.06.
(If the term of the Real Property/Facility Lease is for a term authorized by a Minnesota statute, rule or session law, then insert the citation: _____.)

- An easement for the Real Property that complies with the requirements contained in Section 2.06.
(If the term of the easement is for a term authorized by a Minnesota statute, rule or session law, then provide the citation.)

Ownership Interest in, if applicable, the Facility.

- Fee simple ownership of the Facility.
- A Real Property/Facility Lease for the Facility that complies with all of the requirements contained in Section 2.06.
(If the term of the Real Property/Facility Lease is for a term authorized by a Minnesota statute, rule or session law, then provide the citation.)
- Not applicable because there is no Facility.

Section 2.03 **Use of Grant Proceeds.** The Public Entity shall use the Program Grant solely to reimburse itself for expenditures it has already made, or will make, in the performance of the following activities, and may not use the Program Grant for any other purpose.

(Check all appropriate boxes.)

- Acquisition of fee simple title to the Real Property.
- Acquisition of a leasehold interest in the Real Property.
- Acquisition of an easement for the Real Property.
- Improvement of the Real Property.
- Acquisition of fee simple title to the Facility.
- Acquisition of a leasehold interest in the Facility.
- Construction of the Facility.
- Renovation of the Facility.
- _____.
(Describe other or additional purposes.)

Section 2.04 **Operation of the Real Property and Facility.** The Real Property and, if applicable, Facility must be used by the Public Entity or the Public Entity must cause such Real

Property and, if applicable, Facility to be used, for those purposes required by the State Program and in accordance with the information contained in the Grant Application, or for such other purposes and uses as the Minnesota legislature may from time to time designate, and for no other purposes or uses.

The Public Entity may enter into Use Contracts with Counterparties for the operation of all or any portion of the Real Property and, if applicable, Facility; provided that all such Use Contracts must have been approved, in writing, by the Commissioner of MMB and fully comply with all of the provisions contained in Sections 3.01, 3.02 and 3.03.

The Public Entity must, whether it is operating the Real Property and, if applicable, Facility or has contracted with a Counterparty under a Use Contract to operate all or any portion of the Real Property and, if applicable, Facility, annually determine that the Real Property and, if applicable, Facility is being used for the purpose required by this Agreement, and shall annually supply a statement, sworn to before a notary public, to such effect to the State Entity and the Commissioner of MMB.

For those programs, if any, that the Public Entity will directly operate on all or any portion of the Real Property and, if applicable, Facility, the Public Entity covenants with and represents and warrants to the State Entity that: (i) it has the ability and a plan to fund such programs, (ii) it has demonstrated such ability by way of a plan that it submitted to the State Entity, and (iii) it will annually adopt, by resolution, a budget for the operation of such programs that clearly shows that forecast program revenues along with other funds available for the operation of such program will be equal to or greater than forecast program expenses for each fiscal year, and will supply to the State Entity and the Commissioner of MMB certified copies of such resolution and budget.

For those programs, if any, that will be operated on all or any portion of the Real Property and, if applicable, Facility by a Counterparty under a Use Contract, the Public Entity covenants with and represents and warrants to the State Entity that: (i) it will not enter into such Use Contract unless the Counterparty has demonstrated that it has the ability and a plan to fund such program, (ii) it will require the Counterparty to provide an initial program budget and annual program budgets that clearly show that forecast program revenues along with other funds available for the operation of such program (from all sources) will be equal to or greater than forecast program expenses for each fiscal year, (iii) it will promptly review all submitted program budgets to determine if such budget clearly and accurately shows that the forecast program revenues along with other funds available for the operation of such program (from all sources) will be equal to or greater than forecast program expenses for each fiscal year, (iv) it will reject any program budget that it believes does not accurately reflect forecast program revenues or expenses or does not show that forecast program revenues along with other funds available for the operation of such program (from all sources) will be equal to or greater than forecast program expenses, and require the Counterparty to prepare and submit a revised program budget, and (v) upon receipt of a program budget that it believes accurately reflects forecast program revenues and expenses and that shows that forecast program revenues along with other funds available for the operation of such program (from all sources) will be equal to or greater than forecast program expenses, it will approve such budget by resolution and supply to the State Entity and the Commissioner of MMB certified copies of such resolution and budget.

Section 2.05 **Public Entity Representations and Warranties.** The Public Entity further covenants with, and represents and warrants to the State Entity as follows:

A. It has legal authority to enter into, execute, and deliver this Agreement, the Declaration, and all documents referred to herein, and it has taken all actions necessary to its execution and delivery of such documents.

B. It has legal authority to use the Program Grant for the purpose or purposes described in the State Program Enabling Legislation.

C. It has legal authority to operate the State Program and the Real Property and, if applicable, Facility for the purposes required by the State Program and for the functions and activities proposed in the Grant Application.

D. This Agreement, the Declaration, and all other documents referred to herein are the legal, valid and binding obligations of the Public Entity enforceable against the Public Entity in accordance with their respective terms.

E. It will comply with all of the terms, conditions, provisions, covenants, requirements, and warranties in this Agreement, the Declaration, and all other documents referred to herein.

F. It will comply with all of the provisions and requirements contained in and imposed by the G.O. Compliance Legislation, the Commissioner's Order, and the State Program.

G. It has made no material false statement or misstatement of fact in connection with its receipt of the Program Grant, and all of the information it has submitted or will submit to the State Entity or Commissioner of MMB relating to the Program Grant or the disbursement of any of the Program Grant is and will be true and correct.

H. It is not in violation of any provisions of its charter or of the laws of the State of Minnesota, and there are no actions, suits, or proceedings pending, or to its knowledge threatened, before any judicial body or governmental authority against or affecting it relating to the Real Property and, if applicable, Facility, or its ownership interest therein, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Agreement, the Declaration, or any document referred to herein, or to perform any of the acts required of it in such documents.

I. Neither the execution and delivery of this Agreement, the Declaration, or any document referred to herein nor compliance with any of the terms, conditions, requirements, or provisions contained in any of such documents is prevented by, is a breach of, or will result in a breach of, any term, condition, or provision of any agreement or document to which it is now a party or by which it is bound.

J. The contemplated use of the Real Property and, if applicable, Facility will not violate any applicable zoning or use statute, ordinance, building code, rule or regulation, or any covenant or agreement of record relating thereto.

K. The Project has been or will be completed in full compliance with all applicable laws, statutes, rules, ordinances, and regulations issued by any federal, state, or local political subdivisions having jurisdiction over the Project.

L. All applicable licenses, permits and bonds required for the performance and completion of the Project have been, or will be, obtained.

M. All applicable licenses, permits and bonds required for the operation of the Real Property and, if applicable, Facility in the manner specified in Section 2.04 have been, or will be, obtained.

N. It will operate, maintain, and manage the Real Property and, if applicable, Facility or cause the Real Property and, if applicable, Facility, to be operated, maintained and managed in compliance with all applicable laws, statutes, rules, ordinances, and regulations issued by any federal, state, or local political subdivisions having jurisdiction over the Real Property and, if applicable, Facility.

O. It will fully enforce the terms and conditions contained in any Use Contract.

P. It has complied with the matching funds requirement, if any, contained in Section 7.23.

Q. It will not, without the prior written consent of the State Entity and the Commissioner of MMB, allow any voluntary lien or encumbrance or involuntary lien or encumbrance that can be satisfied by the payment of monies and which is not being actively contested to be created or exist against the Public Entity's ownership interest in the Real Property or, if applicable, Facility, or the Counterparty's interest in the Use Contract, whether such lien or encumbrance is superior or subordinate to the Declaration. Provided, however, the State Entity and the Commissioner of MMB will consent to any such lien or encumbrance that secures the repayment of a loan the repayment of which will not impair or burden the funds needed to operate the Real Property and, if applicable, Facility in the manner specified in Section 2.04, and for which the entire amount is used (i) to acquire additional real estate that is needed to so operate the Real Property and, if applicable, Facility in accordance with the requirements imposed under Section 2.04 and will be included in and as part of the Public Entity's ownership interest in the Real Property and, if applicable, Facility, and/or (ii) to pay for capital improvements that are needed to so operate the Real Property and, if applicable, Facility in accordance with the requirements imposed under Section 2.04.

R. It reasonably expects to possess the ownership interest in the Real Property and, if applicable, Facility described Section 2.02 for the entire Useful Life of the Real Property and, if applicable, Facility, and it does not expect to sell such ownership interest.

S. It does not reasonably expect to receive payments under a Use Contract in excess of the amount the Public Entity needs and is authorized to use to pay the operating expenses of the portion of the Real Property and, if applicable, Facility that is the subject of the Use Contract or to pay the principal, interest, redemption premiums, and other expenses on any Approved Debt.

T. It will supply, or cause to be supplied, whatever funds are needed above and beyond the amount of the Program Grant to complete and fully pay for the Project.

U. It has or will promptly record a fully executed Declaration with the appropriate governmental office and deliver a copy thereof to the State Entity and to Minnesota Management and Budget (attention: Capital Projects Manager) that contains all of the recording information.

V. The Useful Life of the Real Property and, if applicable, Facility is 50 years.

W. It shall furnish such satisfactory evidence regarding the representations and warranties described herein as may be required and requested by either the State Entity or the Commissioner of MMB.

Section 2.06 Ownership by Leasehold or Easement. *This Section shall only apply if the Public Entity's ownership interest in the Real Property, the Facility, if applicable, or both is by way of a Real Property/Facility Lease or an easement. For all other circumstances this Section is not needed and should be ignored and treated as if it were left blank, and any reference to this Section in this Agreement shall be ignored and treated as if the reference did not exist.*

A. A Real Property/Facility Lease or easement must comply with the following provisions.

1. It must be in form and contents acceptable to the Commissioner of MMB, and specifically state that it may not be modified, restated, amended, changed in any way, or prematurely terminated or cancelled without the prior written consent and authorization by the Commissioner of MMB.

2. It must be for a term that is equal to or greater than 125% of the Useful Life of the Real Property and, if applicable, Facility, or such other period of time specifically authorized by a Minnesota statute, rule or session law.

3. Any payments to be made under it by the Public Entity, whether designated as rent or in any other manner, must be by way of a single lump sum payment that is due and payable on the date that it is first made and entered into.

4. It must not contain any requirements or obligations of the Public Entity that if not complied with could result in a termination thereof.

5. It must contain a provision that provides sufficient authority to allow the Public Entity to operate the Real Property and, if applicable, Facility in accordance with the requirements imposed under Section 2.04.

6. It must not contain any provisions that would limit or impair the Public Entity's operation of the Real Property and, if applicable, Facility in accordance with the requirements imposed under Section 2.04.

7. It must contain a provision that prohibits the Lessor/Grantor from creating or allowing, without the prior written consent of the State Entity and the Commissioner of MMB, any voluntary lien or encumbrance or involuntary lien or encumbrance that can be satisfied by the payment of monies and which is not being actively contested against the Leased/Easement Premises or the Lessor's/Grantor's interest in the Real Property/Facility Lease or easement, whether such lien or encumbrance is superior or subordinate to the Declaration. Provided, however, the State Entity and the Commissioner of MMB will consent to any such lien or encumbrance if the holder of such lien or encumbrance executes and files of record a document under which such holder subordinates such lien or encumbrance to the Real Property/Facility Lease or easement and agrees that upon foreclosure of such lien or encumbrance to be bound by and comply with all of the terms, conditions and covenants contained in the Real Property/Facility Lease or easement as if such holder had been an original Lessor/Grantor under the Real Property/Facility Lease or easement.

8. It must acknowledge the existence of this Agreement and contain a provision that the terms, conditions and provisions contained in this Agreement shall control over any inconsistent or contrary terms, conditions and provisions contained in the Real Property/Facility Lease or easement.

9. It must provide that any use restrictions contained therein only apply as long as the Public Entity is the lessee under the Real Property/Facility Lease or grantee under the easement, and that such use restrictions will terminate and not apply to any successor lessee or grantee who purchases the Public Entity's ownership interest in the Real Property/Facility Lease or easement. Provided, however, it may contain a provisions that limits the construction of any new structures on the Real Property or modifications of any existing structures on the Real Property without the written consent of Lessor/Grantor, which will apply to any such successor lessee or grantee.

10. It must allow for a transfer thereof in the event that the lessee under the Real Property/Lease or grantee under the easement makes the necessary determination to sell its interest therein, and allow such interest to be transferred to the purchaser of such interest.

11. It must contain a provision that prohibits and prevents the sale of the underlying fee interest in the Real Property and, if applicable, Facility without first obtaining the written consent of the Commissioner of MMB.

12 The Public Entity must be the lessee under the Real Property/Lease or grantee under the easement.

B. The provisions contained in this Section are not intended to and shall not prevent the Public Entity from including additional provisions in the Real Property/Facility Lease or easement that are not inconsistent with or contrary to the requirements contained in this Section.

C. The expiration of the term of a Real Property/Facility Lease or easement shall not be an event that requires the Public Entity to reimburse the State Entity for any portion of the Program Grant, and upon such expiration the Public Entity's ownership interest in the Real Property and, if applicable, Facility shall no longer be subject to this Agreement.

D. The Public Entity shall fully and completely comply with all of the terms, conditions and provisions contained in a Real Property/Facility Lease or easement, and shall obtain and file, in the Office of the County Recorder or the Registrar of Titles, whichever is applicable, the Real Property/Facility Lease or easement or a short form or memorandum thereof.

Section 2.07 **Event(s) of Default.** The following events shall, unless waived in writing by the State Entity and the Commissioner of MMB, constitute an Event of Default under this Agreement upon either the State Entity or the Commissioner of MMB giving the Public Entity 30 days written notice of such event and the Public Entity's failure to cure such event during such 30 day time period for those Events of Default that can be cured within 30 days or within whatever time period is needed to cure those Events of Default that cannot be cured within 30 days as long as the Public Entity is using its best efforts to cure and is making reasonable progress in curing such Events of Default, however, in no event shall the time period to cure any Event of Default exceed 6 months unless otherwise consented to, in writing, by the State Entity and the Commissioner of MMB.

A. If any representation, covenant, or warranty made by the Public Entity in this Agreement, in any other document furnished pursuant to this Agreement, or in order to induce the State Entity to disburse any of the Program Grant, shall prove to have been untrue or incorrect in any material respect or materially misleading as of the time such representation, covenant, or warranty was made.

B. If the Public Entity fails to fully comply with any provision, term, condition, covenant, or warranty contained in this Agreement, the Declaration, or any other document referred to herein.

C. If the Public Entity fails to fully comply with any provision, term, condition, covenant, or warranty contained in the G.O. Compliance Legislation, the Commissioner's Order, or the State Program Enabling Legislation.

D. If the Public Entity fails to provide and expend the full amount of the matching funds, if any, required under Section 7.23 for the Project.

E. If the Public Entity fails to record the Declaration and deliver copies thereof as set forth in Section 2.05.U.

Notwithstanding the foregoing, any of the above delineated events that cannot be cured shall, unless waived in writing by the State Entity and the Commissioner of MMB, constitute an Event of Default under this Agreement immediately upon either the State Entity or the Commissioner of MMB giving the Public Entity written notice of such event.

Section 2.08 **Remedies.** Upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the State Entity, the State Entity or the Commissioner of MMB may enforce any or all of the following remedies.

A. The State Entity may refrain from disbursing the Program Grant; provided, however, the State Entity may make such disbursements after the occurrence of an Event of Default without thereby waiving its rights and remedies hereunder.

B. If the Event of Default involves a failure to comply with any of the provisions contained herein other than the provisions contained in Sections 4.01 or 4.02, then the Commissioner of MMB, as a third party beneficiary of this Agreement, may demand that the Outstanding Balance of the Program Grant be returned to it, and upon such demand the Public Entity shall return such amount to the Commissioner of MMB.

C. If the Event of Default involves a failure to comply with the provisions contained in Sections 4.01 or 4.02, then the Commissioner of MMB, as a third party beneficiary of this Agreement, may demand that the Public Entity pay the amounts that would have been paid if there had been full and complete compliance with such provisions, and upon such demand the Public Entity shall pay such amount to the Commissioner of MMB.

D. Either the State Entity or the Commissioner of MMB, as a third party beneficiary of this Agreement, may enforce any additional remedies they may have in law or equity.

The rights and remedies herein specified are cumulative and not exclusive of any rights or remedies that the State Entity or the Commissioner of MMB would otherwise possess.

If the Public Entity does not repay the amounts required to be paid under this Section or under any other provision contained in this Agreement within 30 days of demand by the Commissioner of MMB, or any amount ordered by a court of competent jurisdiction within 30 days of entry of judgment against the Public Entity and in favor of the State Entity and/or the Commissioner of MMB, then such amount may, unless precluded by law, be taken from or off-set

against any aids or other monies that the Public Entity is entitled to receive from the State of Minnesota.

Section 2.09 Notification of Event of Default. The Public Entity shall furnish to the State Entity and the Commissioner of MMB, as soon as possible and in any event within 7 days after it has obtained knowledge of the occurrence of each Event of Default or each event which with the giving of notice or lapse of time or both would constitute an Event of Default, a statement setting forth details of each Event of Default or event which with the giving of notice or upon the lapse of time or both would constitute an Event of Default and the action which the Public Entity proposes to take with respect thereto.

Section 2.10 Survival of Event of Default. This Agreement shall survive any and all Events of Default and remain in full force and effect even upon the payment of any amounts due under this Agreement, and shall only terminate in accordance with the provisions contained in Section 2.12 and at the end of its term in accordance with the provisions contained in Section 2.11.

Section 2.11 Term of Grant Agreement. This Agreement shall, unless earlier terminated in accordance with any of the provisions contained herein, remain in full force and effect for the time period starting on the effective date hereof and ending on the date that corresponds to the date established by adding a time period equal to 125% of Useful Life of the Real Property and, if applicable, Facility to the date on which the Real Property and, if applicable, Facility is first used for the operation of the State Program after such effective date. If there are no uncured Events of Default as of such date this Agreement shall terminate and no longer be of any force or effect, and the Commissioner of MMB shall execute whatever documents are needed to release the Real Property and, if applicable, Facility from the effect of this Agreement and the Declaration.

Section 2.12 Modification and/or Early Termination of Grant. If the full amount of the Program Grant has not been disbursed on or before the date that is 5 years from the effective date of this Agreement, or such later date to which the Public Entity and the State Entity may agree in writing, then the State Entity's obligation to fund the Program Grant shall terminate. In such event, (i) if none of the Program Grant has been disbursed by such date then the State Entity's obligation to fund any portion of the Program Grant shall terminate and this Agreement shall terminate and no longer be of any force or effect, and (ii) if some but not all of the Program Grant has been disbursed by such date then the State Entity shall have no further obligation to provide any additional funding for the Program Grant and this Agreement shall remain in full force and effect but shall be modified and amended to reflect the amount of the Program Grant that was actually disbursed as of such date.

This Agreement shall also terminate and no longer be of any force or effect upon the Public Entity's sale of its ownership interest in the Real Property and, if applicable, Facility in accordance with the provisions contained in Section 4.01 and transmittal of all or a portion of the proceeds of such sale to the Commissioner of MMB in compliance with the provisions contained in Section 4.02, or upon the termination of Public Entity's ownership interest in the Real Property and, if applicable, Facility if such ownership interest is by way of an easement or under a Real Property/Facility Lease. Upon such termination the State Entity shall execute, or have executed, and deliver to the Public Entity such documents as are required to release the Public

Entity's ownership interest in the Real Property and, if applicable, Facility, from the effect of this Agreement and the Declaration.

Section 2.13 **Excess Funds.** If the full amount of the Program Grant and any matching funds referred to in Section 7.23 are not needed to complete the Project, then, unless language in the State Program Enabling Legislation indicates otherwise, the Program Grant shall be reduced by the amount not needed.

Article III USE CONTRACTS

This Article III and its contents is only needed and only applies if the Public Entity enters into an agreement with another party under which such other party will operate any portion of the Real Property, and if applicable, Facility. For all other circumstances this Article III and its contents are not needed and should be ignored and treated as if it were left blank, and any reference to this Article III, its contents, and the term Use Contract in this Agreement shall be ignored and treated as if the references did not exist.

Section 3.01 **General Provisions.** If the Public Entity has statutory authority to enter into a Use Contract, then it may enter into Use Contracts for various portions of the Real Property and, if applicable, Facility; provided that each and every Use Contract that the Public Entity enters into must comply with the following requirements:

A. The purpose for which it was entered into must be to operate the State Program in the Real Property and, if applicable, Facility.

B. It must contain a provision setting forth the statutory authority under which the Public Entity is entering into such contract and must comply with the substantive and procedural provisions of such statute.

C. It must contain a provision stating that it is being entered into in order for the Counterparty to operate the State Program and must describe such program.

D. It must contain a provision that will provide for oversight by the Public Entity. Such oversight may be accomplished by way of a provision that will require the Counterparty to provide to the Public Entity: (i) an initial program evaluation report for the first fiscal year that the Counterparty will operate the State Program, (ii) program budgets for each succeeding fiscal year showing that forecast program revenues and additional revenues available for the operation of the State Program (from all sources) by the Counterparty will equal or exceed expenses for such operation for each succeeding fiscal year, and (iii) a mechanism under which the Public Entity will annually determine that the Counterparty is using the portion of the Real Property and, if applicable, Facility that is the subject of the Use Contract to operate the State Program.

E. It must allow for termination by the Public Entity in the event of a default thereunder by the Counterparty, or in the event that the State Program is terminated or

changed in a manner that precludes the operation of such program in the portion of the Real Property and, if applicable, Facility that is the subject of the Use Contract.

F. It must terminate upon the termination of the statutory authority under which the Public Entity is operating the State Program.

G. It must require the Counterparty to pay all costs of operation and maintenance of that portion of the Real Property and, if applicable, Facility that is the subject of the Use Contract, unless the Public Entity is authorized by law to pay such costs and agrees to pay such costs.

H. If the Public Entity pays monies to a Counterparty under a Use Contract, such Use Contract must meet the requirements of Rev. Proc. 97-13, 1997-1 CB 632, so that such Use Contract does not result in “private business use” under Section 141(b) of the Code.

I. It must be approved, in writing, by the Commissioner of MMB, and any Use Contract that is not approved, in writing, by the Commissioner of MMB shall be null and void and of no force or effect.

J. It must contain a provision requiring that each and every party thereto shall, upon direction by the Commissioner of MMB, take such actions and furnish such documents to the Commissioner of MMB as the Commissioner of MMB determines to be necessary to ensure that the interest to be paid on the G.O. Bonds is exempt from federal income taxation.

K. It must contain a provision that prohibits the Counterparty from creating or allowing, without the prior written consent of the State Entity and the Commissioner of MMB, any voluntary lien or encumbrance or involuntary lien or encumbrance that can be satisfied by the payment of monies and which is not being actively contested against the Real Property or, if applicable, Facility, the Public Entity’s ownership interest in the Real Property or, if applicable, Facility, or the Counterparty’s interest in the Use Contract, whether such lien or encumbrance is superior or subordinate to the Declaration. Provided, however, the State Entity and the Commissioner of MMB will consent, in writing, to any such lien or encumbrance that secures the repayment of a loan the repayment of which will not impair or burden the funds needed to operate the portion of the Real Property and, if applicable, Facility that is the subject of the Use Contract in the manner specified in Section 2.04 and for which the entire amount is used (i) to acquire additional real estate that is needed to so operate the Real Property and, if applicable, Facility in accordance with the requirements imposed under Section 2.04 and will be included in and as part of the Public Entity’s ownership interest in the Real Property and, if applicable, Facility, and/or (ii) to pay for capital improvements that are needed to so operate the Real Property and, if applicable, Facility in accordance with the requirements imposed under Section 2.04.

L. If the amount of the Program Grant exceeds \$200,000.00, then it must contain a provision requiring the Counterparty to list any vacant or new positions it may have with state workforce centers as required by Minn. Stat. § 116L.66, as it may be amended, modified or replaced from time to time, for the term of the Use Contract.

M. It must contain a provision that clearly states that the Public Entity is not required to renew the Use Contract beyond the original term thereof and that the Public Entity may, at its sole option and discretion, allow the Use Contract to expire at the end of its original term and thereafter directly operate the governmental program in the Real Property and, if applicable, Facility or contract with some other entity to operate the governmental program in the Real Property and, if applicable, Facility.

Section 3.02 Initial Term and Renewal. The initial term for a Use Contract may not exceed the lesser of (i) 50% of the Useful Life of the Real Property and, if applicable, Facility for the portion of the Real Property and, if applicable, Facility that is the subject of the Use Contract, or (ii) the shortest term of the Public Entity's ownership interest in the Real Property and, if applicable, Facility.

A Use Contract may allow for renewals beyond its initial term on the conditions that (a) the term of any renewal may not exceed the initial term, (b) the Public Entity must make a determination that renewal will continue to carry out the State Program and that the Counterparty is suited and able to perform the functions contained in Use Contract that is to be renewed, (c) the Use Contract may not include any provisions that would require, either directly or indirectly, the Public Entity to either make the determination referred to in this Section or to renew the Use Contract with the Counterparty after the expiration of the initial term or any renewal term, and (d) no such renewal may occur prior to the date that is 6 months prior to the date on which the Use Contract is scheduled to terminate. Provided, however, notwithstanding anything to the contrary contained herein the Public Entity's voluntary agreement to reimburse the Counterparty for any investment that the Counterparty provided for the acquisition or betterment of the Real Property and, if applicable, Facility that is the subject of the Use Contract if the Public Entity does not renew a Use Contract if requested by the Counterparty is not deemed to be a provision that directly or indirectly requires the Public Entity to renew such Use Contract.

Section 3.03 Reimbursement of Counterparty. A Use Contract may but need not contain, at the sole option and discretion of the Public Entity, a provision that requires the Public Entity to reimburse the Counterparty for any investment that the Counterparty provided for the acquisition or betterment of the Real Property and, if applicable, Facility that is the subject of the Use Contract if the Public Entity does not renew a Use Contract if requested by the Counterparty. If agreed to by the Public Entity, such reimbursement shall be on terms and conditions agreed to by the Public Entity and the Counterparty.

Section 3.04 Receipt of Monies Under a Use Contract. The Public Entity does not anticipate the receipt of any funds under a Use Contract, provided, however, if the Public Entity does receive any monies under a Use Contract in excess of the amount the Public Entity needs and is authorized to use to pay the operating expenses of the portion of the Real Property and, if applicable, Facility that is the subject of a Use Contract, and to pay the principal, interest, redemption premiums, and other expenses on Approved Debt, then a portion of such excess monies must be paid by the Public Entity to the Commissioner of MMB. The portion of such excess monies that the Public Entity must and shall pay to the Commissioner of MMB shall be determined by the Commissioner of MMB, and absent circumstances which would indicate otherwise such portion

shall be determined by multiplying such excess monies by a fraction the numerator of which is the Program Grant and the denominator of which is sum of the Program Grant and the Approved Debt.

Article IV

SALE

Section 4.01 **Sale.** The Public Entity shall not sell any part of its ownership interest in the Real Property and, if applicable, Facility unless all of the following provisions have been complied with fully.

- A. The Public Entity determines, by official action, that such ownership interest is no longer usable or needed for the operation of the State Program, which such determination may be based on a determination that the portion of the Real Property or, if applicable, Facility to which such ownership interest applies is no longer suitable or financially feasible for such purpose.
- B. The sale is made as authorized by law.
- C. The sale is for Fair Market Value.
- D. The written consent of the Commissioner of MMB has been obtained.

The acquisition of the Public Entity's ownership interest in the Real Property and, if applicable, Facility at a foreclosure sale, by acceptance of a deed-in-lieu of foreclosure, or enforcement of a security interest in personal property used in the operation thereof, by a lender that has provided monies for the acquisition of the Public Entity's ownership interest in or betterment of the Real Property and, if applicable, Facility shall not be considered a sale for the purposes of this Agreement if after such acquisition the lender operates such portion of the Real Property and, if applicable, Facility in a manner which is not inconsistent with the requirements imposed under Section 2.04 and the lender uses its best efforts to sell such acquired interest to a third party for Fair Market Value. The lender's ultimate sale or disposition of the acquired interest in the Real Property and, if applicable, Facility shall be deemed to be a sale for the purposes of this Agreement, and the proceeds thereof shall be disbursed in accordance with the provisions contained in Section 4.02.

The Public Entity may participate in any public auction of its ownership interest in the Real Property and, if applicable, Facility and bid thereon; provided that the Public Entity agrees that if it is the successful purchaser it will not use any part of the Real Property or, if applicable, Facility for the State Program.

Section 4.02 **Proceeds of a Sale.** Upon the sale of the Public Entity's ownership interest in the Real Property and, if applicable, Facility the proceeds thereof after the deduction of all costs directly associated and incurred in conjunction with such sale and such other costs that are approved, in writing, by the Commissioner of MMB, but not including the repayment of any debt associated with the Public Entity's ownership interest in the Real Property and, if applicable, Facility, shall be disbursed in the following manner and order.

A. The first distribution shall be to the Commissioner of MMB in an amount equal to the Outstanding Balance of the Program Grant, and if the amount of such net proceeds shall be less than the amount of the Outstanding Balance of the Program Grant then all of such net proceeds shall be distributed to the Commissioner of MMB.

B. The remaining portion, after the distribution specified in Section 4.02.A, shall be distributed to (i) pay in full any outstanding Approved Debt, (ii) reimburse the Public Entity for its Ownership Value, and (iii) to pay interested public and private entities, other than any such entity that has already received the full amount of its contribution (such as the State Entity under Section 4.02.A and the holders of Approved Debt paid under this Section 4.02.B), the amount of money that such entity contributed to the Initial Acquisition and Betterment Costs and the Subsequent Betterment Costs. If such remaining portion is not sufficient to reimburse interested public and private entities for the full amount that such entities contributed to the acquisition or betterment of the Real Property and, if applicable, Facility, then the amount available shall be distributed as such entities may agree in writing, and if such entities cannot agree by an appropriately issued court order.

C. The remaining portion, after the distributions specified in Sections 4.02.A and B, shall be divided and distributed to the State Entity, the Public Entity, and any other public and private entity that contributed funds to the Initial Acquisition and Betterment Costs and the Subsequent Betterment Costs, other than lenders who supplied any of such funds, in proportion to the contributions that the State Entity, the Public Entity, and such other public and private entities made to the acquisition and betterment of the Real Property and, if applicable, Facility as such amounts are part of the Ownership Value, Initial Acquisition and Betterment Costs, and Subsequent Betterment Costs.

The distribution to the State Entity shall be made to the Commissioner of MMB, and the Public Entity may direct its distribution to be made to any other entity including, but not limited to, a Counterparty.

All amounts to be disbursed under this Section 4.02 must be consented to, in writing, by the Commissioner of MMB, and no such disbursements shall be made without such consent.

The Public Entity shall not be required to pay or reimburse the State Entity or the Commissioner of MMB for any funds above and beyond the full net proceeds of such sale, even if such net proceeds are less than the amount of the Outstanding Balance of the Program Grant.

Article V
COMPLIANCE WITH G.O. COMPLIANCE LEGISLATION
AND THE COMMISSIONER’S ORDER

Section 5.01 **State Bond Financed Property.** The Public Entity and the State Entity acknowledge and agree that the Public Entity’s ownership interest in the Real Property and, if applicable, Facility is, or when acquired by the Public Entity will be, “state bond financed property”, as such term is used in the G.O. Compliance Legislation and the Commissioner’s Order,

and, therefore, the provisions contained in such statute and order apply, or will apply, to the Public Entity's ownership interest in the Real Property and, if applicable, Facility and any Use Contracts relating thereto.

Section 5.02 Preservation of Tax Exempt Status. In order to preserve the tax-exempt status of the G.O. Bonds, the Public Entity agrees as follows:

A. It will not use the Real Property or, if applicable, Facility, or use or invest the Program Grant or any other sums treated as "bond proceeds" under Section 148 of the Code including "investment proceeds," "invested sinking funds," and "replacement proceeds," in such a manner as to cause the G.O. Bonds to be classified as "arbitrage bonds" under Section 148 of the Code.

B. It will deposit into and hold all of the Program Grant that it receives under this Agreement in a segregated non-interest bearing account until such funds are used for payments for the Project in accordance with the provisions contained herein.

C. It will, upon written request, provide the Commissioner of MMB all information required to satisfy the informational requirements set forth in the Code including, but not limited to, Sections 103 and 148 thereof, with respect to the G.O. Bonds.

D. It will, upon the occurrence of any act or omission by the Public Entity or any Counterparty, that could cause the interest on the G.O. Bonds to no longer be tax exempt and upon direction from the Commissioner of MMB, take such actions and furnish such documents as the Commissioner of MMB determines to be necessary to ensure that the interest to be paid on the G.O. Bonds is exempt from federal taxation, which such action may include either: (i) compliance with proceedings intended to classify the G.O. Bonds as a "qualified bond" within the meaning of Section 141(e) of the Code, (ii) changing the nature or terms of the Use Contract so that it complies with Revenue Procedure 97-13, as amended by Rev. Proc 2016-44 and Rev. Proc. 2017-13, or (iii) changing the nature of the use of the Real Property or, if applicable, Facility so that none of the net proceeds of the G.O. Bonds will be used, directly or indirectly, in an "unrelated trade or business" or for any "private business use" (within the meaning of Sections 141(b) and 145(a) of the Code), or (iv) compliance with other Code provisions, regulations, or revenue procedures which amend or supersede the foregoing.

E. It will not otherwise use any of the Program Grant, including earnings thereon, if any, or take or permit to or cause to be taken any action that would adversely affect the exemption from federal income taxation of the interest on the G.O. Bonds, nor omit to take any action necessary to maintain such tax exempt status, and if it should take, permit, omit to take, or cause to be taken, as appropriate, any such action, it shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 5.03 Changes to G.O. Compliance Legislation or the Commissioner's Order. In the event that the G.O. Compliance Legislation or the Commissioner's Order is amended in a

manner that reduces any requirement imposed against the Public Entity, or if the Public Entity's ownership interest in the Real Property or, if applicable, Facility is exempt from the G.O. Compliance Legislation and the Commissioner's Order, then upon written request by the Public Entity the State Entity shall enter into and execute an amendment to this Agreement to implement herein such amendment to or exempt the Public Entity's ownership interest in the Real Property and, if applicable, Facility from the G.O. Compliance Legislation or the Commissioner's Order.

Article VI DISBURSEMENT OF GRANT PROCEEDS

Section 6.01 **Disbursement of Grant.** Upon compliance with all of the conditions delineated in Section 6.02, the State Entity shall disburse the Program Grant to the Public Entity in one lump sum. Under no circumstance shall the State Entity be required to disburse funds in excess of the amount requested by the Public Entity under the provisions contained in Section 6.02.A even if the amount requested is less than the amount of the Program Grant delineated in Section 1.01. If the amount of Program Grant that the State Entity disburses hereunder to the Public Entity is less than the amount of the Program Grant delineated in Section 1.01, then the State Entity and the Public Entity shall enter into and execute whatever documents the State Entity may request in order to amend or modify this Agreement to reduce the amount of the Program Grant to the amount actually disbursed. Provided, however, in accordance with the provisions contained in Section 2.11, the State Entity's obligation to disburse any of the Program Grant shall terminate as of the date specified in such Section even if the entire Program Grant has not been disbursed by such date.

The Program Grant shall only be for expenses that (i) are for those items of a capital nature for the Project, (ii) accrued no earlier than the effective date of the legislation that appropriated the funds that are used to fund the Program Grant, or (iii) have otherwise been consented to, in writing, by the State Entity and the Commissioner of MMB.

Section 6.02 **Conditions Precedent to Disbursement of Grant.** The obligation of the State Entity to disburse the Program Grant to the Public Entity is subject to the following conditions precedent:

A. The State Entity shall have received a request for disbursement of the Program Grant specifying the amount of funds being requested, which such amount shall not exceed the amount of the Program Grant delineated in Section 1.01.

B. The State Entity shall have received a duly executed Declaration that has been duly recorded in the appropriate governmental office, with all of the recording information displayed thereon.

C. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that (i) the Public Entity has legal authority to and has taken all actions necessary to enter into this Agreement and the Declaration, and (ii) this Agreement and the Declaration are binding on and enforceable against the Public Entity.

D. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Public Entity has fully and completely paid for the Project and all other expenses that may occur in conjunction therewith.

E. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Public Entity is in compliance with the matching funds requirements, if any, contained in Section 7.23 and that all of such matching funds, if any, have been expended for the Project.

F. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, showing that the Public Entity possesses the ownership interest delineated in Section 2.02.

G. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Real Property and, if applicable, Facility and the contemplated use thereof are permitted by and will comply with all applicable use or other restrictions and requirements imposed by applicable zoning ordinances or regulations, and, if required by law, have been duly approved by the applicable municipal or governmental authorities having jurisdiction thereover.

H. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that that all applicable and required building permits, other permits, bonds and licenses necessary for the Project have been paid for, issued, and obtained, other than those permits, bonds and licenses which may not lawfully be obtained until a future date or those permits, bonds and licenses which in the ordinary course of business would normally not be obtained until a later date.

I. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that that all applicable and required permits, bonds and licenses necessary for the operation of the Real Property and, if applicable, Facility in the manner specified in Section 2.04 have been paid for, issued, and obtained, other than those permits, bonds and licenses which may not lawfully be obtained until a future date or those permits, bonds and licenses which in the ordinary course of business would normally not be obtained until a later date.

J. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Project was completed in a manner that will allow the Real Property and, if applicable, Facility to be operated in the manner specified in Section 2.04, which requirement may be satisfied by a certificate of occupancy or such other equivalent document from the municipality in which the Real Property is located.

K. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Public Entity has the ability and a plan to fund the operation of the Real Property and, if applicable, Facility in the manner specified in Section 2.04.

L. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the insurance requirements under Section 7.01 have been satisfied.

M. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, of compliance with the provisions and requirements specified in Section 7.10 and all additional applicable provisions and requirements, if any, contained in Minn. Stat. § 16B.335, as it may be amended, modified or replaced from time to time. Such evidence shall include, but not be limited to, evidence that: (i) the predesign package referred to in Section 7.10.B has, if required, been reviewed by and received a favorable recommendation from the Commissioner of Administration for the State of Minnesota, (ii) the program plan and cost estimates referred to in Section 7.10.C have, if required, received a recommendation by the Chairs of the Minnesota State Senate Finance Committee and Minnesota House of Representatives Ways and Means Committee, and (iii) the Chair and Ranking Minority Member of the Minnesota House of Representatives Capital Investment Committee and the Chair and Ranking Minority Member of the Minnesota Senate Capital Investment Committee have, if required, been notified pursuant to Section 7.10.G.

N. No Event of Default under this Agreement or event which would constitute an Event of Default but for the requirement that notice be given or that a period of grace or time elapse shall have occurred and be continuing.

O. The Public Entity has supplied to the State Entity all other items that the State Entity may reasonably require.

Article VII MISCELLANEOUS

Section 7.01 **Insurance.** The Public Entity shall, upon acquisition of the ownership interest delineated in Section 2.02, insure the Facility, if such exists, in an amount equal to the full insurable value thereof (i) by self insuring under a program of self insurance legally adopted, maintained and adequately funded by the Public Entity, or (ii) by way of builders risk insurance and fire and extended coverage insurance with a deductible in an amount acceptable to the State Entity under which the State Entity and the Public Entity are named as loss payees. If damages which are covered by such required insurance occur, then the Public Entity shall, at its sole option and discretion, either: (y) use or cause the insurance proceeds to be used to fully or partially repair such damage and to provide or cause to be provided whatever additional funds that may be needed to fully or partially repair such damage, or (z) sell its ownership interest in the damaged Facility and portion of the Real Property associated therewith in accordance with the provisions contained in Section 4.01.

If the Public Entity elects to only partially repair such damage, then the portion of the insurance proceeds not used for such repair shall be applied in accordance with the provisions contained in Section 4.02 as if the Public Entity's ownership interest in the Real Property and Facility had been sold, and such amounts shall be credited against the amounts due and owing under Section 4.02 upon the ultimate sale of the Public Entity's ownership interest in the Real Property and Facility. If the Public Entity elects to sell its ownership interest in the damaged

Facility and portion of the Real Property associated therewith, then such sale must occur within a reasonable time period from the date the damage occurred and the cumulative sum of the insurance proceeds plus the proceeds of such sale must be applied in accordance with the provisions contained in Section 4.02, with the insurance proceeds being so applied within a reasonable time period from the date they are received by the Public Entity.

The State Entity agrees to and will assign or pay over to the Public Entity all insurance proceeds it receives so that the Public Entity can comply with the requirements that this Section imposes thereon as to the use of such insurance proceeds.

If the Public Entity elects to maintain general comprehensive liability insurance regarding the Real Property and, if applicable, Facility, then the Public Entity shall have the State Entity named as an additional named insured therein.

The Public Entity may require a Counterparty to provide and maintain any or all of the insurance required under this Section; provided that the Public Entity continues to be responsible for the providing of such insurance in the event that the Counterparty fails to provide or maintain such insurance.

At the written request of either the State Entity or the Commissioner of MMB, the Public Entity shall promptly furnish to the requesting entity all written notices and all paid premium receipts received by the Public Entity regarding the required insurance, or certificates of insurance evidencing the existence of such required insurance.

If the Public Entity fails to provide and maintain the insurance required under this Section, then the State Entity may, at its sole option and discretion, obtain and maintain insurance of an equivalent nature, and any funds expended by the State Entity to obtain or maintain such insurance shall be due and payable on demand by the State Entity and bear interest from the date of advancement by the State Entity at a rate equal to the lesser of the maximum interest rate allowed by law or 18% per annum based upon a 365-day year. Provided, however, nothing contained herein, including but not limited to this Section, shall require the State Entity to obtain or maintain such insurance, and the State Entity's decision to not obtain or maintain such insurance shall not lessen the Public Entity's duty to obtain and maintain such insurance.

Section 7.02 **Condemnation.** If after the Public Entity has acquired the ownership interest delineated in Section 2.02 all or any portion of the Real Property and, if applicable, Facility is condemned to an extent that the Public Entity can no longer comply with the provisions contained in Section 2.04, then the Public Entity shall, at its sole option and discretion, either: (i) use or cause the condemnation proceeds to be used to acquire an interest in additional real property needed for the Public Entity to continue to comply with the provisions contained in Section 2.04 and, if applicable, to fully or partially restore the Facility, and to provide or cause to be provided whatever additional funds that may be needed for such purposes, or (ii) sell the remaining portion of its ownership interest in the Real Property and, if applicable, Facility in accordance with the provisions contained in Section 4.01. Any condemnation proceeds which are not used to acquire an interest in additional real property or to restore, if applicable, the Facility shall be applied in accordance with the provisions contained in Section 4.02 as if the Public Entity's ownership

interest in the Real Property and, if applicable, Facility had been sold, and such amounts shall be credited against the amounts due and owing under Section 4.02 upon the ultimate sale of the Public Entity's ownership interest in the remaining Real Property and, if applicable, Facility. If the Public Entity elects to sell its ownership interest in the portion of the Real Property and, if applicable, Facility that remains after the condemnation, then such sale must occur within a reasonable time period from the date the condemnation occurred and the cumulative sum of the condemnation proceeds plus the proceeds of such sale must be applied in accordance with the provisions contained in Section 4.02, with the condemnation proceeds being so applied within a reasonable time period from the date they are received by the Public Entity.

As recipient of any of condemnation awards or proceeds referred to herein, the State Entity agrees to and will disclaim, assign or pay over to the Public Entity all of such condemnation awards or proceeds it receives so that the Public Entity can comply with the requirements that this Section imposes upon the Public Entity as to the use of such condemnation awards or proceeds.

Section 7.03 Use, Maintenance, Repair and Alterations. The Public Entity shall (i) keep the Real Property and, if applicable, Facility, in good condition and repair, subject to reasonable and ordinary wear and tear, (ii) complete promptly and in good and workmanlike manner any building or other improvement which may be constructed on the Real Property and promptly restore in like manner any portion of the Facility, if applicable, which may be damaged or destroyed thereon and pay when due all claims for labor performed and materials furnished therefor, (iii) comply with all laws, ordinances, regulations, requirements, covenants, conditions and restrictions now or hereafter affecting the Real Property or, if applicable, Facility, or any part thereof, or requiring any alterations or improvements thereto, (iv) keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair, (v) comply with the provisions of any Real Property/Facility Lease if the Public Entity's ownership interest in the Real Property and, if applicable, Facility, is a leasehold interest, (vi) comply with the provisions of any easement if its ownership interest in the Real Property and, if applicable, Facility is by way of such easement, and (vii) comply with the provisions of any condominium documents and any applicable reciprocal easement or operating agreements if the Real Property and, if applicable, Facility, is part of a condominium regime or is subject to a reciprocal easement or use contract.

The Public Entity shall not, without the written consent of the State Entity and the Commissioner of MMB, (a) permit or suffer the use of any of the Real Property or, if applicable, Facility, for any purpose other than the purposes specified in Section 2.04, (b) remove, demolish or substantially alter any of the Real Property or, if applicable, Facility, except such alterations as may be required by laws, ordinances or regulations or such other alterations as may improve such Real Property or, if applicable, Facility by increasing the value thereof or improving its ability to be used to operate the State Program thereon or therein, (c) do any act or thing which would unduly impair or depreciate the value of the Real Property or, if applicable, Facility, (d) abandon the Real Property or, if applicable, Facility, (e) commit or permit any waste or deterioration of the Real Property or, if applicable, Facility, (f) remove any fixtures or personal property from the Real Property or, if applicable, Facility, that was paid for with the proceeds of the Program Grant unless the same are immediately replaced with like property of at least equal value and utility, or (g)

commit, suffer or permit any act to be done in or upon the Real Property or, if applicable, Facility, in violation of any law, ordinance or regulation.

If the Public Entity fails to maintain the Real Property and, if applicable, Facility in accordance with the provisions contained in this Section, then the State Entity may perform whatever acts and expend whatever funds that are necessary to so maintain the Real Property and, if applicable, Facility and the Public Entity irrevocably authorizes and empowers the State Entity to enter upon the Real Property and, if applicable, Facility, to perform such acts as may be necessary to so maintain the Real Property and, if applicable, Facility. Any actions taken or funds expended by the State Entity hereunder shall be at its sole option and discretion, and nothing contained herein, including but not limited to this Section, shall require the State Entity to take any action, incur any expense, or expend any funds, and the State Entity shall not be responsible for or liable to the Public Entity or any other entity for any such acts that are undertaken and performed in good faith and not in a negligent manner. Any funds expended by the State Entity to perform such acts as may be necessary to so maintain the Real Property and, if applicable, Facility shall be due and payable on demand by the State Entity and bear interest from the date of advancement by the State Entity at a rate equal to the lesser of the maximum interest rate allowed by law or 18% per annum based upon a 365 day year.

Section 7.04 Records Keeping and Reporting. The Public Entity shall maintain or cause to be maintained books, records, documents and other evidence pertaining to the costs or expenses associated with the Project and operation of the Real Property and, if applicable, Facility needed to comply with the requirements contained in this Agreement, the G.O. Compliance Legislation, the Commissioner's Order, and the State Program Enabling Legislation, and upon request shall allow or cause the entity which is maintaining such items to allow the State Entity, auditors for the State Entity, the Legislative Auditor for the State of Minnesota, or the State Auditor for the State of Minnesota, to inspect, audit, copy, or abstract, all of such items. The Public Entity shall use or cause the entity which is maintaining such items to use generally accepted accounting principles in the maintenance of such items, and shall retain or cause to be retained (i) all of such items that relate to the Project for a period of 6 years from the date that the Project is fully completed and placed into operation, and (ii) all of such items that relate to the operation of the Real Property and, if applicable, Facility for a period of 6 years from the date such operation is initiated.

Section 7.05 Inspections by State Entity. Upon reasonable request by the State Entity and without interfering with the normal use of the Real Property and, if applicable, Facility, the Public Entity shall allow, and will require any entity to whom it leases, subleases, or enters into a Use Contract for any portion of the Real Property and, if applicable, Facility to allow the State Entity to inspect the Real Property and, if applicable, Facility.

Section 7.06 Data Practices. The Public Entity agrees with respect to any data that it possesses regarding the Program Grant, the Project, or the operation of the Real Property and, if applicable, Facility, to comply with all of the provisions and restrictions contained in the Minnesota Government Data Practices Act contained in Chapter 13 of the Minnesota Statutes that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time.

Section 7.07 **Non-Discrimination.** The Public Entity agrees to not engage in discriminatory employment practices regarding the Project, or operation or management of the Real Property and, if applicable, Facility, and it shall, with respect to such activities, fully comply with all of the provisions contained in Chapters 363A and 181 of the Minnesota Statutes that exist as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time.

Section 7.08 **Worker's Compensation.** The Public Entity agrees to comply with all of the provisions relating to worker's compensation contained in Minn. Stat. §§ 176.181, subd. 2 and 176.182, as they may be amended, modified or replaced from time to time, with respect to the Project and the operation or management of the Real Property and, if applicable, Facility.

Section 7.09 **Antitrust Claims.** The Public Entity hereby assigns to the State Entity and the Commissioner of MMB all claims it may have for overcharges as to goods or services provided with respect to the Project, and operation or management of the Real Property and, if applicable, Facility that arise under the antitrust laws of the State of Minnesota or of the United States of America.

Section 7.10 **Review of Plans and Cost Estimates.** The Public Entity agrees to comply with all applicable provisions and requirements, if any, contained in Minn. Stat. § 16B.335, as it may be amended, modified or replaced from time to time, for the Project, and in accordance therewith the Public Entity agrees to comply with the following provisions and requirements if such provisions and requirements are applicable.

A. The Public Entity shall provide all information that the State Entity may request in order for the State Entity to determine that the Project will comply with the provisions and requirements contained in Minn. Stat. § 16B.335, as it may be amended, modified or replaced from time to time.

B. Prior to its proceeding with design activities for the Project the Public Entity shall prepare a predesign package and submit it to the Commissioner of Administration for the State of Minnesota for review and comment. The predesign package must be sufficient to define the purpose, scope, cost, and projected schedule for the Project, and must demonstrate that the Project has been analyzed according to appropriate space and needs standards. Any substantial changes to such predesign package must be submitted to the Commissioner of Administration for the State of Minnesota for review and comment.

C. If the Project includes the construction of a new building, substantial addition to an existing building, a substantial change to the interior configuration of an existing building, or the acquisition of an interest in land, then the Public Entity shall not prepare final plans and specifications until it has prepared a program plan and cost estimates for all elements necessary to complete the Project and presented them to the Chairs of the Minnesota State Senate Finance Committee and Minnesota House of Representatives Ways and Means Committee and the chairs have made their recommendations, and it has notified the Chair and Ranking Minority Member of the Minnesota House of Representatives Capital Investment Committee and the Chair and Ranking Minority Member of the Minnesota State

Senate Capital Investment Committee. The program plan and cost estimates must note any significant changes in the work to be performed on the Project, or in its costs, which have arisen since the appropriation from the legislature for the Project was enacted or which differ from any previous predesign submittal.

D. The Public Entity must notify the Chairs and Ranking Minority Members of the Minnesota State Senate Finance and Capital Investment Committees, and the Minnesota House of Representatives Capital Investment and Ways and Means Committees of any significant changes to the program plan and cost estimates referred to in Section 7.10.C.

E. The program plan and cost estimates referred to in Section 7.10.C must ensure that the Project will comply with all applicable energy conservation standards contained in law, including Minn. Stat. §§ 216C.19 to 216C.20, as they may be amended, modified or replaced from time to time, and all rules adopted thereunder.

F. If any of the Program Grant is to be used for the construction or remodeling of the Facility, then both the predesign package referred to in Section 7.10.B and the program plan and cost estimates referred to in Section 7.10.C must include provisions for cost-effective information technology investments that will enable the occupant of the Facility to reduce its need for office space, provide more of its services electronically, and decentralize its operations.

G. If the Project does not involve the construction of a new building, substantial addition to an existing building, substantial change to the interior configuration of an existing building, or the acquisition of an interest in land, then prior to beginning work on the Project the Public Entity shall just notify the Chairs and Ranking Minority Members of the Minnesota State Senate Finance and Capital Investment Committees, and the Minnesota House of Representatives Capital Investment and Ways and Means Committees that the work to be performed is ready to begin.

H. The Project must be: (i) substantially completed in accordance with the program plan and cost estimates referred to in Section 7.10.C, (ii) completed in accordance with the time schedule contained in the program plan referred to in Section 7.10.C, and (iii) completed within the budgets contained in the cost estimates referred to in Section 7.10.C.

Provided, however, the provisions and requirements contained in this Section only apply to public lands or buildings or other public improvements of a capital nature, and shall not apply to the demolition or decommissioning of state assets, hazardous material projects, utility infrastructure projects, environmental testing, parking lots, parking structures, park and ride facilities, bus rapid transit stations, light rail lines, passenger rail projects, exterior lighting, fencing, highway rest areas, truck stations, storage facilities not consisting primarily of offices or heated work areas, roads, bridges, trails, pathways, campgrounds, athletic fields, dams, floodwater retention systems, water access sites, harbors, sewer separation projects, water and wastewater facilities, port development projects for which the Commissioner of Transportation for the State of Minnesota has entered into an assistance agreement under Minn. Stat. § 457A.04, as it may be amended, modified or replaced from time to time, ice centers, local government projects with a

construction cost of less than \$1,500,000.00, or any other capital project with a construction cost of less than \$750,000.00.

Section 7.11 **Prevailing Wages.** The Public Entity agrees to comply with all of the applicable provisions contained in Chapter 177 of the Minnesota Statutes, and specifically those provisions contained in Minn. Stat. §§ 177.41 through 177.435, as they may be amended, modified or replaced from time to time with respect to the Project and the operation of the State Program on or in the Real Property and, if applicable, Facility. By agreeing to this provision, the Public Entity is not acknowledging or agreeing that the cited provisions apply to the Project or the operation of the State Program on or in the Real Property and, if applicable, Facility.

Section 7.12 **Liability.** The Public Entity and the State Entity agree that they will, subject to any indemnifications provided herein, be responsible for their own acts and the results thereof to the extent authorized by law, and they shall not be responsible for the acts of the other party and the results thereof. The liability of the State Entity and the Commissioner of MMB is governed by the provisions contained in Minn. Stat. § 3.736, as it may be amended, modified or replaced from time to time. If the Public Entity is a “municipality” as such term is used in Chapter 466 of the Minnesota Statutes that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time, then the liability of the Public Entity, including but not limited to the indemnification provided under Section 7.13, is governed by the provisions contained in such Chapter 466.

Section 7.13 **Indemnification by the Public Entity.** The Public Entity shall bear all loss, expense (including attorneys’ fees), and damage in connection with the Project and operation of the Real Property and, if applicable, Facility, and agrees to indemnify and hold harmless the State Entity, the Commissioner of MMB, and the State of Minnesota, their agents, servants and employees from all claims, demands and judgments made or recovered against the State Entity, the Commissioner of MMB, and the State of Minnesota, their agents, servants and employees, because of bodily injuries, including death at any time resulting therefrom, or because of damages to property of the State Entity, the Commissioner of MMB, or the State of Minnesota, or others (including loss of use) from any cause whatsoever, arising out of, incidental to, or in connection with the Project or operation of the Real Property and, if applicable, Facility, whether or not due to any act of omission or commission, including negligence of the Public Entity or any contractor or his or their employees, servants or agents, and whether or not due to any act of omission or commission (excluding, however, negligence or breach of statutory duty) of the State Entity, the Commissioner of MMB, or the State of Minnesota, their employees, servants or agents.

The Public Entity further agrees to indemnify, save, and hold the State Entity, the Commissioner of MMB, and the State of Minnesota, their agents and employees, harmless from all claims arising out of, resulting from, or in any manner attributable to any violation by the Public Entity, its officers, employees, or agents, or by any Counterparty, its officers, employees, or agents, of any provision of the Minnesota Government Data Practices Act, including legal fees and disbursements paid or incurred to enforce the provisions contained in Section 7.06.

The Public Entity's liability hereunder shall not be limited to the extent of insurance carried by or provided by the Public Entity, or subject to any exclusions from coverage in any insurance policy.

Section 7.14 **Relationship of the Parties.** Nothing contained in this Agreement is intended or should be construed in any manner as creating or establishing the relationship of co-partners or a joint venture between the Public Entity, the State Entity, or the Commissioner of MMB, nor shall the Public Entity be considered or deemed to be an agent, representative, or employee of the State Entity, the Commissioner of MMB, or the State of Minnesota in the performance of this Agreement, the Project, or operation of the Real Property and, if applicable, Facility.

The Public Entity represents that it has already or will secure or cause to be secured all personnel required for the performance of this Agreement and the Project, and the operation and maintenance of the Real Property and, if applicable, Facility. All personnel of the Public Entity or other persons while engaging in the performance of this Agreement, the Project, or the operation and maintenance of the Real Property and, if applicable, Facility shall not have any contractual relationship with the State Entity, the Commissioner of MMB, or the State of Minnesota, and shall not be considered employees of any of such entities. In addition, all claims that may arise on behalf of said personnel or other persons out of employment or alleged employment including, but not limited to, claims under the Workers' Compensation Act of the State of Minnesota, claims of discrimination against the Public Entity, its officers, agents, contractors, or employees shall in no way be the responsibility of the State Entity, the Commissioner of MMB, or the State of Minnesota. Such personnel or other persons shall not require nor be entitled to any compensation, rights or benefits of any kind whatsoever from the State Entity, the Commissioner of MMB, or the State of Minnesota including, but not limited to, tenure rights, medical and hospital care, sick and vacation leave, disability benefits, severance pay and retirement benefits.

Section 7.15 **Notices.** In addition to any notice required under applicable law to be given in another manner, any notices required hereunder must be in writing and shall be sufficient if personally served or sent by prepaid, registered, or certified mail (return receipt requested), to the business address of the party to whom it is directed. Such business address shall be that address specified below or such different address as may hereafter be specified, by either party by written notice to the other:

To the Public Entity at:

City of Redwood Falls
P.O. Box 526
333 South Washington Street
Redwood Falls, MN 56283
Attention: Keith Muetzel, City Administrator

To the State Entity at:

MN Department of Education

400 Stinson Blvd NE
Minneapolis, MN 55413
Attention: Emma De Vera, State Library Services

To the Commissioner of MMB at:

Minnesota Department of Management and Budget
400 Centennial Office Bldg.
658 Cedar St.
St. Paul, MN 55155
Attention: Commissioner

Section 7.16 **Binding Effect and Assignment or Modification.** This Agreement and the Declaration shall be binding upon and inure to the benefit of the Public Entity and the State Entity, and their respective successors and assigns. Provided, however, that neither the Public Entity nor the State Entity may assign any of its rights or obligations under this Agreement or the Declaration without the prior written consent of the other party. No change or modification of the terms or provisions of this Agreement or the Declaration shall be binding on either the Public Entity or the State Entity unless such change or modification is in writing and signed by an authorized official of the party or against which such change or modification is to be imposed.

Section 7.17 **Waiver.** Neither the failure by the Public Entity, the State Entity, or the Commissioner of MMB, as a third party beneficiary of this Agreement, in any one or more instances to insist upon the complete and total observance or performance of any term or provision hereof, nor the failure of the Public Entity, the State Entity, or the Commissioner of MMB, as a third party beneficiary of this Agreement, to exercise any right, privilege, or remedy conferred hereunder or afforded by law shall be construed as waiving any breach of such term, provision, or the right to exercise such right, privilege, or remedy thereafter. In addition, no delay on the part of the Public Entity, the State Entity, or the Commissioner of MMB, as a third party beneficiary of this Agreement, in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

Section 7.18 **Entire Agreement.** This Agreement, the Declaration, and the documents, if any, referred to and incorporated herein by reference embody the entire agreement between the Public Entity and the State Entity, and there are no other agreements, either oral or written, between the Public Entity and the State Entity on the subject matter hereof.

Section 7.19 **Choice of Law and Venue.** All matters relating to the validity, construction, performance, or enforcement of this Agreement or the Declaration shall be determined in accordance with the laws of the State of Minnesota. All legal actions initiated with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued in the State of Minnesota District Court located in the City of St. Paul, County of Ramsey, State of Minnesota.

Section 7.20 **Severability.** If any provision of this Agreement is finally judged by any court to be invalid, then the remaining provisions shall remain in full force and effect and they shall be interpreted, performed, and enforced as if the invalid provision did not appear herein.

Section 7.21 **Time of Essence.** Time is of the essence with respect to all of the matters contained in this Agreement.

Section 7.22 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 7.23 **Matching Funds.** The Public Entity must obtain and supply the following matching funds, if any, for the Project:

The grant requires a minimum of a 1:1 local match from non-state funds.

Any matching funds which are intended to meet the above requirements must either be in the form of (i) cash monies, (ii) legally binding commitments for money, or (iii) equivalent funds or contributions, including equity, which have been or will be used to pay for the Project. The Public Entity shall supply to the Commissioner of MMB whatever documentation the Commissioner of MMB may request to substantiate the availability and source of any matching funds, and the source and terms relating to all matching funds must be consented to, in writing, by the Commissioner of MMB.

Section 7.24 **Source and Use of Funds.** The Public Entity represents to the State Entity and the Commissioner of MMB that **Attachment III** is intended to be and is a source and use of funds statement showing the total cost of the Project and all of the funds that are available for the completion of the Project, and that the information contained in such **Attachment III** correctly and accurately delineates the following information.

A. The total cost of the Project detailing all of the major elements that make up such total cost and how much of such total cost is attributed to each such major element.

B. The source of all funds needed to complete the Project broken down among the following categories:

- (i) State funds including the Program Grant, identifying the source and amount of such funds.
- (ii) Matching funds, identifying the source and amount of such funds.
- (iii) Other funds supplied by the Public Entity, identifying the source and amount of such funds.
- (iv) Loans, identifying each such loan, the entity providing the loan, the amount of each such loan, the terms and conditions of each such loan, and all collateral pledged for repayment of each such loan.
- (v) Other funds, identifying the source and amount of such funds.

C. Such other financial information that is needed to correctly reflect the total funds available for the completion of the Project, the source of such funds and the expected use of such funds.

Previously paid project expenses that are to be reimbursed and paid from proceeds of the Program Grant may only be included as a source of funds and included in **Attachment III** if such items have been approved, in writing, by the Commissioner of MMB.

If any of the funds included under the source of funds have conditions precedent to the release of such funds, then the Public Entity must provide to the State Entity and the Commissioner of MMB a detailed description of such conditions and what is being done to satisfy such conditions.

The Public Entity shall also supply whatever other information and documentation that the State Entity or the Commissioner of MMB may request to support or explain any of the information contained in **Attachment III**.

The value of the Public Entity's ownership interest in the Real Property and, if applicable, Facility should only be shown in **Attachment III** if such ownership interest is being acquired and paid for with funds shown in such **Attachment III**, and for all other circumstances such value should be shown in the definition for Ownership Value in Section 1.01 and not included in such **Attachment III**.

The funds shown in **Attachment III** and to be supplied for the Project may, subject to any limitations contained in the State Program Enabling Legislation, be provided by either the Public Entity or a Counterparty under a Use Contract.

Section 7.25 **Third-Party Beneficiary.** The State Program will benefit the State of Minnesota and the provisions and requirements contained herein are for the benefit of both the State Entity and the State of Minnesota. Therefore, the State of Minnesota, by and through its Commissioner of MMB, is and shall be a third-party beneficiary of this Agreement.

Section 7.26 **Public Entity Tasks.** Any tasks that this Agreement imposes upon the Public Entity may be performed by such other entity as the Public Entity may select or designate, provided that the failure of such other entity to perform said tasks shall be deemed to be a failure to perform by the Public Entity.

Section 7.27 **State Entity and Commissioner Required Acts and Approvals.** The State Entity and the Commissioner of MMB shall not (i) perform any act herein required or authorized by it in an unreasonable manner, (ii) unreasonably refuse to perform any act that it is required to perform hereunder, or (iii) unreasonably refuse to provide or withhold any approval that is required of it herein.

Section 7.28 **Applicability to Real Property and Facility.** This Agreement applies to the Public Entity's ownership interest in the Real Property and if a Facility exists to the Facility. The term "if applicable" appearing in conjunction with the term "Facility" is meant to indicate that this

Agreement will apply to a Facility if one exists, and if no Facility exists then this Agreement will only apply to the Public Entity's ownership interest in the Real Property.

Section 7.29 **E-Verification.** The Public Entity agrees and acknowledges that it is aware of Minn. Stat. § 16C.075 regarding e-verification of employment of all newly hired employees to confirm that such employees are legally entitled to work in the United States, and that it will, if and when applicable, fully comply with such statute and impose a similar requirement in any Use Contract to which it is a party.

Section 7.30 **Jobs Reporting Requirements.** Pursuant to Minn. Stat. § 16A.633, Subd. 4, the Public Entity shall collect, maintain and, upon completion of the Project, provide the information indicated in **Attachment V** of this Agreement, to the Commissioner of MMB. The information must include, but is not limited to, the following: the number and types of jobs created by the Project, whether the jobs are new or retained, where the jobs are located and the pay ranges of the jobs.

American-Made Steel. Minnesota Laws 2014, Chapter 294, Article 2, Section 22, requires public entities receiving an appropriation of public money for a project in that act to ensure those facilities are built with American-made steel, to the extent practicable. The Public Entity shall comply with this requirement, and shall furnish any documentation pursuant thereto reasonably requested by the State Entity.

Section 7.31 **Additional Requirements.** The Public Entity and the State Entity agree to comply with the following additional requirements. In the event of any conflict or inconsistency between the following additional requirements and any other provisions or requirement contained in this Agreement, the following additional requirements contained in this Section shall control.

Accessibility. All facilities receiving Library Construction grant funds will comply with Minnesota Statutes relating to accessibility by persons with disabilities, the Americans with Disabilities Act of 1990, amendments to the act, and the Americans with Disability Act Architectural Guidelines in effect at the time of construction.

Internet filtering. The library is in compliance with Minn. Stat. § 134.50(a), which states that all public library computers with Internet access restrict access to material that is reasonably believed to be obscene, child pornography, or is otherwise harmful to minors under federal or state law. This restriction may be accomplished using software filtering technology or other effective methods.

Start date. Project may not have started prior to the enactment of the October 2020 bonding bill.

Grant application modifications. Any revisions or modifications to the grant application that are requested by the State to complete the grant agreement are binding and will be treated as if they were part of the original grant application.

[THE REMAINING PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

IN TESTIMONY HEREOF, the Public Entity and the State Entity have executed this General Obligation Bond Proceeds Grant Agreement End Grant for the **Redwood Falls Public Library Meeting Room Renovation** Project under the Public Library Construction Grant Program on the day and date indicated immediately below their respective signatures.

PUBLIC ENTITY:

City of Redwood Falls,
a **Home Rule Charter City**

By: _____

Tom Quackenbush

Its: **Mayor**

Dated: _____

And: _____

Keith Muetzel

Its: **City Administrator**

Dated: _____

STATE ENTITY:

Minnesota Department of Education,

By:

Heather Mueller, Ed.D

Its: Commissioner

Dated:

Attachment I to Grant Agreement

**State of Minnesota
General Obligation Bond Financed
DECLARATION**

The undersigned has the following interest in the real property located in the County of **Redwood**, State of Minnesota that is legally described in **Exhibit A** attached and all facilities situated thereon (collectively, the “Restricted Property”):

(Check the appropriate box.)

- a fee simple title,
- a lease, or
- an easement,

and as owner of such fee title, lease or easement, does hereby declare that such interest in the Restricted Property is hereby made subject to the following restrictions and encumbrances:

- A. The Restricted Property is bond financed property within the meaning of Minn. Stat. § 16A.695, is subject to the encumbrance created and requirements imposed by such statute, and cannot be sold, mortgaged, encumbered or otherwise disposed of without the approval of the Commissioner of Minnesota Management and Budget, which approval must be evidenced by a written statement signed by said commissioner and attached to the deed, mortgage, encumbrance or instrument used to sell or otherwise dispose of the Restricted Property; and
- B. The Restricted Property is subject to all of the terms, conditions, provisions, and limitations contained in that certain **Redwood Falls Public Library Meeting Room Renovation Project** and the Minnesota Department of Education, dated **«STATE LIBRARY SERVICES», 2022.**

The Restricted Property shall remain subject to this State of Minnesota General Obligation Bond Financed Declaration for 125% of the useful life of the Restricted Property or until the Restricted Property is sold with the written approval of the Commissioner of Minnesota Management and Budget, at which time it shall be released therefrom by way of a written release in recordable form signed by both the Commissioner of the Minnesota Department of Education and the Commissioner of Minnesota Management and Budget, and such written release is recorded in the real estate records relating to the Restricted Property. This Declaration may not be terminated, amended, or in any way modified without the specific written consent of the Commissioner of Minnesota Management and Budget.

(SIGNATURE BLOCK, ACKNOWLEDGMENTS, AND STATEMENT AS TO WHOM IT WAS DRAFTED BY.)

**Exhibit A to Declaration
LEGAL DESCRIPTION OF RESTRICTED PROPERTY**

Parcels: 88-422-0060, 88-422-0030, 88-422-0020

88-422-0060:

All the tract of parcel of land, lying and being in the County of Redwood and State of Minnesota, described as follows, to wit: Commencing at the Southwest corner of Block 1 of D. L. Hitchcock's First Addition, aka Hitchcock's Addition, aka Hitchcock's First Addition, to the village (now City) of Redwood Falls, according to the recorded plat thereof, running thence north 260 feet to the Northwest Corner of said Block 1, running thence along the North line of said Block 1 a distance of 120 feet, thence at right angles South parallel to the west line thereof a distance of 130 feet, thence at right angles East parallel to the South line of Block 1 a distance of 60 feet, thence at right angles South at distance of 130 feet to the South line of said Block 1, thence West along the South line of Block 1 a distance of 180 feet to the point of beginning; said parcel also being described as the West 1/3rd of the West 1/2 of the of the center 1/3rd of the S 1/2 of Hitchcock's First Addition to the Village (now City) of Redwood Falls, according to the recorded plat thereof.

AND;

East half (E1/2) of the Center Third (C 1/3) of the South half (S1/2) of Block (1) in Hitchcock's First Addition to the City of Redwood Falls, otherwise described as follows: Beginning 180 feet East of the Southeast corner of Block 1 in Hitchcock's First Addition, thence running North 130 feet, thence East 60 feet, thence South 130 feet, thence West 60 feet to the place of beginning.

88-422-0030:

The West 60 feet of the East 150 feet of the North 130 feet of Block 1 of Hitchcock's First Addition in the City of Redwood Falls, Redwood County, Minnesota.

88-422-0020

Commencing at a point One Hundred Twenty (120) feet East of the Northwest corner of Block One (1) of Hitchcock's First Addition to Redwood Falls, thence East Ninety (90) feet, thence North One Hundred Thirty (130) feet to the place of beginning.

**Attachment II to Grant Agreement
LEGAL DESCRIPTION OF REAL PROPERTY**

Parcels: 88-422-0060, 88-422-0030, 88-422-0020

88-422-0060:

All the tract of parcel of land, lying and being in the County of Redwood and State of Minnesota, described as follows, to wit: Commencing at the Southwest corner of Block 1 of D. L. Hitchcock's First Addition, aka Hitchcock's Addition, aka Hitchcock's First Addition, to the village (now City) of Redwood Falls, according to the recorded plat thereof, running thence north 260 feet to the Northwest Corner of said Block 1, running thence along the North line of said Block 1 a distance of 120 feet, thence at right angles South parallel to the west line thereof a distance of 130 feet, thence at right angles East parallel to the South line of Block 1 a distance of 60 feet, thence at right angles South at distance of 130 feet to the South line of said Block 1, thence West along the South line of Block 1 a distance of 180 feet to the point of beginning; said parcel also being described as the West 1/3rd of the West ½ of the of the center 1/3rd of the S ½ of Hitchcock's First Addition to the Village (now City) of Redwood Falls, according to the recorded plat thereof.

AND;

East half (E1/2) of the Center Third (C 1/3) of the South half (S1/2) of Block (1) in Hitchcock's First Addition to the City of Redwood Falls, otherwise described as follows: Beginning 180 feet East of the Southeast corner of Block 1 in Hitchcock's First Addition, thence running North 130 feet, thence East 60 feet, thence South 130 feet, thence West 60 feet to the place of beginning.

88-422-0030:

The West 60 feet of the East 150 feet of the North 130 feet of Block 1 of Hitchcock's First Addition in the City of Redwood Falls, Redwood County, Minnesota.

88-422-0020

Commencing at a point One Hundred Twenty (120) feet East of the Northwest corner of Block One (1) of Hitchcock's First Addition to Redwood Falls, thence East Ninety (90) feet, thence North One Hundred Thirty (130) feet to the place of beginning.

Attachment III to Grant Agreement
SOURCE AND USE OF FUNDS FOR THE PROJECT

Source of Funds		Use of Funds	
<u>Identify Source of Funds</u>	<u>Amount</u>	<u>Identify Items</u>	<u>Amount</u>
State G.O. Funds		Ownership Acquisition	
Program Grant	\$97,833.00	and Other Items Paid for	
		with Program Grant Funds	
Other State Funds		Purchase of Ownership	\$ NA
	\$	Interest	
	\$	Other Items of a Capital	
	\$	Nature	
Subtotal	\$97,833.00	Construction Renovation	\$97,833.00
		of Meeting Room	
			\$ 0
			\$
Matching Funds		Subtotal	\$97,833.00
	\$		
	\$	Items Paid for with	
Subtotal	\$ 0	Non-Program Grant Funds	
		Construction Renovation of	\$202,167.00
Other Public Entity Funds		Meeting Room	
			\$ 0
City of Redwood Falls	\$202,167.00		
Capital Improvement			\$ 0
Fund		Subtotal	\$202,167.00
Subtotal	\$202,167.00		
Loans			
	\$		
Subtotal	\$ 0		
Other Funds			
	\$ 0		
	\$		
Subtotal	\$ 0		
Prepaid Project Expenses			
	\$		
Subtotal	\$ 0		
TOTAL FUNDS	\$300,000.00	TOTAL PROJECT COSTS	\$300,000.00

**Attachment IV to Grant Agreement
GRANT APPLICATION**

«STATE LIBRARY SERVICES WILL ADD THIS»

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

Agenda Item: Library Addition and Renovation Project, Change Order No. 2

Recommendation/Action Requested: Staff is recommending the approval of “Change Order (CO) No. 2” for the addition of a 220-exterior outlet on the building, a youth height toilet with necessary plumbing and grab bars in the family bathroom space. In addition, the unplanned costs incurred with discovery and sealing of a well, an associated cistern, previous home foundation removal, and necessary soil corrections due to these discoveries. Approval will allow the City Administrator to execute the CO.

Summary/Overview: Change Order No. 2 is being presented due to additions and circumstances described above. Change orders will be drawn from the 5% contingency allocated in the project budget.

Attachments: Change Order No. 2
Letter of Documentation and Support; Andy Engan, Principal AME/slh



ENGAN ASSOCIATES
ARCHITECTS | INTERIOR DESIGNERS

shared vision. innovative design.

June 10, 2026

Redwood Falls Public Library
Jim Doering, Public Works Project Coordinator
City of Redwood Falls
333 S. Washington St.
Redwood Falls, MN 56283

RE: Redwood Falls Public Library – Redwood Falls, MN (855.01)
Change Order #2

This letter is provided to document and support Change Order #2 for Council review and approval.

PCO-2: During a progress meeting it was requested that we add a child sized toilet to the family restroom in addition to the standard sized one.

PCO-5: During a progress meeting it was requested to add an external power supply for things like the ice cream machine. This power supply is managed in the building and will only be powered when needed.

PCO-7: During construction and abandoned cistern and well were uncovered. They were removed so construction could continue as planned.

If you have any questions or concerns, or if you simply have additional comments that you wish to make, please contact me at (320) 235-0860, or email me at andy.engan@engan.com.

Andrew Engan, Principal
AME/slh





AIA® Document G701® – 2017

Change Order

PROJECT: <i>(Name and address)</i> 855.01 Redwood Falls Public Library Redwood Falls MN	CONTRACT INFORMATION: Contract For: Date: October 21, 2025	CHANGE ORDER INFORMATION: Change Order Number: 002 Date: June 02, 2026
OWNER: <i>(Name and address)</i> City of Redwood Falls 333 S. Washington St. Redwood Falls, MN 56201	ARCHITECT: <i>(Name and address)</i> Engan Associates, P.A. 311 4th Street SW Willmar, MN 56201	CONTRACTOR: <i>(Name and address)</i> Breitbach Construction Co., Inc. 802 1st Avenue Elrosa, MN 56325

THE CONTRACT IS CHANGED AS FOLLOWS:

(Insert a detailed description of the change and, if applicable, attach or reference specific exhibits. Also include agreed upon adjustments attributable to executed Construction Change Directives.)



Changes related to PR#2 (PCO2):	\$5,631.20
Changes related to PR#3 Option B (PCO5):	\$ 507.99
Changes related to unexpected cistern and wells (PCO7):	\$18,163.00

The original Contract Sum was	\$	4,394,000.00
The net change by previously authorized Change Orders	\$	20,793.05
The Contract Sum prior to this Change Order was	\$	4,414,793.05
The Contract Sum will be increased by this Change Order in the amount of	\$	24,302.19
The new Contract Sum including this Change Order will be	\$	4,439,095.24

The Contract Time will be unchanged by Zero (0) days.
The new date of Substantial Completion will be

NOTE: This Change Order does not include adjustments to the Contract Sum or Guaranteed Maximum Price, or the Contract Time, that have been authorized by Construction Change Directive until the cost and time have been agreed upon by both the Owner and Contractor, in which case a Change Order is executed to supersede the Construction Change Directive.

NOT VALID UNTIL SIGNED BY THE ARCHITECT, CONTRACTOR AND OWNER.

 _____ ARCHITECT <i>(Signature)</i>	 _____ CONTRACTOR <i>(Signature)</i>	_____ OWNER <i>(Signature)</i>
Andrew Engan, Principal _____ <i>(Printed name, title, and license number if required)</i>	Jacob Weller, Project Manager _____ <i>(Printed name and title)</i>	_____ <i>(Printed name and title)</i>
June 2, 2026 _____ <i>Date</i>	6-3-26 _____ <i>Date</i>	_____ <i>Date</i>



POTENTIAL CHANGE ORDER

Breitbach Construction Co.
25123- - Redwood Falls Public Library

DATE:5/06/2026
PCO#: 2

To: Jim Doering
City of Redwood Falls
PO Box 526
Redwood Falls, MN 56283

From: Jacob Weller
Breitbach Construction Co.
802 1st Ave
Elrosa, MN 56325

Phone:
Email: Jdoering@ci.redwood-falls.mn.us
CC:

Phone: 320.697.5525
Email: jacobw@bcc-mn.com

Below is the detail for our proposal to complete the following changes in contract work:

- Pending Change Order: PR-02 Added Baby Toilet and Grabs Bars
- Proposed Scope of Work:

PCO Item	Cost	Markup	Amount
1 : Skogen - Added Baby Toilet	4,363.11	218.16	4,581.27
2 : Construction Supply - Added Grab Bars	685.65	34.28	719.93
3 : BCC install Grab Bars	300.00	30.00	330.00

TOTAL: \$5,631.20

Submitted By:

Approved By:

 Jacob Weller
 Breitbach Construction Co.
 5/06/2026
 Date

 Jim Doering
 City of Redwood Falls
 Date

Approved By:

 City of Redwood Falls
 Date



Skogen Mechanical, LLC

1408 N. Riverfront Dr., Mankato, MN 56001

Phone: 507.388.6450 skogenmechanical.com

CHANGE ORDER PROPOSAL

Date: 4/22/2026

TO: Breitbach Construction

PROJECT: Redwood Falls Public Library

Change order #1 - PR #2

PROJECT DESCRIPTION:

Skogen Mechanical will provide and install the following as requested in PR-2.
Rough in plumbing to additional Baby Devoro toilet in family restroom.
One Baby Devoro Toilet.

Exclusions:
Electrical.
Premium time.
Hazardous material exposure.
Installation of grab bars.

WE PROPOSE hereby to furnish material & labor - complete in accordance with above specifications, for the sum of:

Four thousand three hundred sixty-three dollars and eleven cents.	\$	4,363.11
---	----	----------

Payments are to be made as follows:

NOTICE: Under Minnesota law, any person or company supplying labor or materials for improvement to your property may file a lien against your property if that person or company has not been paid for the contributions.

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alteration or deviation from above specifications involving extra costs will be executed only upon written orders and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance. Our workers are fully covered by Workman's Compensation Insurance.

NOTE: This proposal may be with drawn by us if not accepted within 30 days.

Date: _____

ACCEPTANCE OF PROPOSAL: _____
ACCEPTANCE DATE: _____

Change Order Breakdown



Date: 4/22/26
 Project: Redwood Falls Public Library
 Skogen Mechanical Change Order # 1
 Project PR-2

SKOGEN MECHANICAL
 1408 N Riverfront Drive
 Mankato, MN 56001

will@skogenmechanical.com

Materials:			
Description:			
	FROM MATERIAL TAKEOFF		\$ 1,476.67
			\$ -
Consumable %	2.50%		\$ 36.92
Tax Rate	7.875%		\$ 119.19
		Material Costs	\$ 1,632.78
Overhead & Profit	10%		\$ 163.28
		Total Materials	\$ 1,796.06

Labor:			
Description:		<u>HOURS</u>	
	FROM LABOR TAKEOFF	19.52	\$ -
			\$ -
			\$ -
			\$ -
	Total Hours	19.52	\$ -
	Mixed Hourly Rate	95.00	
			Labor Costs \$ 1,854.69
Overhead & Profit	10%		\$ 185.47
		Total Labor	\$ 2,040.15

Operating Expenses:			
Description:		<u>% or Rate</u>	
	Vehicle Charges	0	\$ -
	Equipment Rental	0	\$ -
	Bonding	0%	\$ -
	Tool charges	0%	\$ -
			Operating Costs \$ -
Overhead & Profit	10%		\$ -
		Total Operating Costs	\$ -

Subcontractors:			
Description:			
	Mechanical Insulation		\$ 479.00
			\$ -
			\$ -
			\$ -
			\$ -
		Subcontractor costs:	\$ 479.00
Overhead & Profit	10%		\$ 47.90
		Total Sub Costs	\$ 526.90

Deductions / Credits 0

GRAND TOTAL FOR CHANGE ORDER \$ 4,363.11

Area	Quantity	Units	Size	Description	NetPrice	NetPriceTotal	UnitHours	JobHours
Domestic	9.14	LF	¾	Type L Hard Copper Tube	\$5.88	\$53.76	0.050	0.457
Domestic	10.07	LF	¾	Type L Hard Copper Tube	\$5.88	\$59.22	0.050	0.504
Domestic	3.00	EA	¾	Viega ProPress 90 Ell	\$7.06	\$21.19	0.150	0.450
Domestic	1.00	EA	¾	Viega ProPress Tee	\$11.67	\$11.67	0.190	0.190
Domestic	9.00	EA	¾	ProPress Joint	\$0.00	\$0.00	0.000	0.000
Domestic	2.00	EA	¾	Suspended Hanger	\$0.00	\$0.00	0.000	0.000
Domestic	2.00	EA	3	7010Z Zinc Plated Adj Swivel Ring Hanger	\$2.31	\$4.61	0.400	0.800
Domestic	8.00	LF	⅝	Zinc Plated All Thread Rod	\$0.22	\$1.72	0.020	0.160
Domestic	2.00	EA	3x12	FNW 7750 Galv Ins Protection	\$2.88	\$5.76	0.170	0.340
Domestic	2.00	EA	¾	Suspended Hanger	\$0.00	\$0.00	0.000	0.000
Domestic	2.00	EA	3	7010Z Zinc Plated Adj Swivel Ring Hanger	\$2.31	\$4.61	0.400	0.800
Domestic	8.00	LF	⅝	Zinc Plated All Thread Rod	\$0.22	\$1.72	0.020	0.160
Domestic	2.00	EA	3x12	FNW 7750 Galv Ins Protection	\$2.88	\$5.76	0.170	0.340
Underground	14.39	LF	4	Sch 40 PVC DWV PE Pipe	\$4.26	\$61.32	0.110	1.583
Underground	4.98	LF	4	Sch 40 PVC DWV PE Pipe	\$4.26	\$21.20	0.110	0.547
Underground	1.00	EA	4x2	PVC DWV Flush Bushing	\$22.73	\$22.73	0.450	0.450
Underground	1.00	EA	4x4	PVC DWV Closet Flange	\$19.59	\$19.59	0.570	0.570
Underground	1.00	EA	4	PVC DWV San Tee	\$41.16	\$41.16	0.860	0.860
Underground	1.00	EA	4	PVC DWV Wye	\$51.20	\$51.20	0.870	0.870
Underground	2.00	EA	4	PVC DWV Long Sweep 1/4 Bend	\$37.51	\$75.02	0.600	1.200
Underground	1.00	EA	4	PVC DWV 1/8 Bend	\$25.36	\$25.36	0.600	0.600
Underground	1.00	EA	2	PVC Solvent Weld Joints	\$0.27	\$0.27	0.000	0.000
Underground	13.00	EA	4	PVC Solvent Weld Joints	\$0.52	\$6.76	0.000	0.000
Underground	14.39	EA	4	Excavation	\$0.00	\$0.00	0.000	0.000
Underground	86.37	CF	<None>	cu ft Excavated Dirt Backfill	\$0.50	\$43.19	0.000	0.000
Underground	28.79	SF	<None>	sq ft Sand Bedding 6 in Deep	\$0.15	\$4.32	0.000	0.000
Underground	115.16	CF	<None>	cu ft Excavation	\$1.50	\$172.74	0.000	0.000
Underground	4.98	EA	4	Excavation	\$0.00	\$0.00	0.000	0.000
Underground	29.86	CF	<None>	cu ft Excavated Dirt Backfill	\$0.50	\$14.93	0.000	0.000
Underground	9.95	SF	<None>	sq ft Sand Bedding 6 in Deep	\$0.15	\$1.49	0.000	0.000
Underground	39.81	CF	<None>	cu ft Excavation	\$1.50	\$59.72	0.000	0.000
Vent	8.57	LF	2	Sch 40 PVC DWV PE Pipe	\$1.57	\$13.48	0.070	0.600
Vent	10.02	LF	2	Sch 40 PVC DWV PE Pipe	\$1.57	\$15.76	0.070	0.702
Vent	-1.00	EA	2	PVC DWV San Tee	\$8.57	-\$8.57	0.440	-0.440
Vent	1.00	EA	2	PVC DWV Long Sweep 1/4 Bend	\$8.64	\$8.64	0.310	0.310
Vent	1.00	EA	2	PVC DWV San Cross	\$17.31	\$17.31	0.570	0.570
Vent	3.00	EA	2	PVC Solvent Weld Joints	\$0.27	\$0.81	0.000	0.000
Vent	2.00	EA	2	Suspended Hanger	\$0.00	\$0.00	0.000	0.000
Vent	2.00	EA	2	7010Z Zinc Plated Adj Swivel Ring Hanger	\$1.38	\$2.76	0.380	0.760
Vent	8.00	LF	⅝	Zinc Plated All Thread Rod	\$0.22	\$1.72	0.020	0.160
Vent	3.00	EA	2	Suspended Hanger	\$0.00	\$0.00	0.000	0.000
Vent	3.00	EA	2	7010Z Zinc Plated Adj Swivel Ring Hanger	\$1.38	\$4.13	0.380	1.140
Vent	3.00	EA	⅝	7203 Plain Mall Jr Beam Clamp	\$2.34	\$7.01	0.200	0.600
Vent	12.00	LF	⅝	Zinc Plated All Thread Rod	\$0.22	\$2.58	0.020	0.240
Fixtures	1.00	EA	<None>	WC-2 Baby Floor Mt Tank Water Closet	\$620.05	\$620.05	4.000	4.000
Totals						\$1476.67	19.523	

Mechanical Insulation Division

CHANGE ORDER**Contractor:** Skogen**Attention:** Will**Project :** Redwood Falls Library**Change Order Date:** 4/16/2026**Customer PO#:** 8035**Mavo Job #:****Change Order #:** PR02

Material:	\$92.66		
Reg Labor	\$342.93	3 Hours @	\$114.31
Overtime Labor	\$0.00	Hours @	
10% Markup	\$43.56		
Total Cost:	\$479.15		

TOTAL CHANGE ORDER **\$479.00**

Should you have any questions or comments, please contact me at 507-398-9474

Sincerely,

Jesse Hastings

Jesse Hastings
Project Manager
Mavo Systems, Inc.

jhastings@mavo.com

Subcontractor Breakout Form

Contractor: Construction Supply		Date: 5/6/2026
Project: Redwood Falls Public Library		
Description of Change:		
	Added Grab Bars in Room 134	
Direct Material and Equipment		\$ 653.00
5% OH & P of Direct Material and Equipment		\$ 32.65
Direct Labor		\$ -
10% OH & P of Direct Labor		\$ -
Per-Diem Costs		\$ -
		Total : \$ 685.65



POTENTIAL CHANGE ORDER

Breitbach Construction Co.
25123- - Redwood Falls Public Library

DATE:5/08/2026
PCO#: 5

To: Jim Doering
City of Redwood Falls
PO Box 526
Redwood Falls, MN 56283

From: Jacob Weller
Breitbach Construction Co.
802 1st Ave
Elrosa, MN 56325

Phone:
Email: Jdoering@ci.redwood-falls.mn.us
CC:

Phone: 320.697.5525
Email: jacobw@bcc-mn.com

Below is the detail for our proposal to complete the following changes in contract work:

- Pending Change Order: PR-03 - Option B
- Proposed Scope of Work:

PCO Item	Cost	Markup	Amount
1 : PR-03 - Option B - Icecream Outlet at Corner of Building	483.80	24.19	507.99

TOTAL: \$507.99

Submitted By:

Approved By:

5/08/2026

Jacob Weller
Breitbach Construction Co.

Date

Jim Doering
City of Redwood Falls

Date

Approved By:

City of Redwood Falls

Date

Redwood Falls PR Option B

Wolf River Electric
100 Isanti Pkwy, Isanti, MN 55040

Date : **5/7/26**

Project Manager:

PCO #:
 PR/SI # B

COST SUMMARY

Description	Cost	Notes/Attachments
Labor Total	\$ 155.00	(Auto Fill from Sub-Total Below)
Materials and Equipment Total	\$ 223.75	(Auto Fill from Sub-Total Below)
Tax on Materials and Equipment Only	\$ 22.38	<<< Provide Sales/Use Tax Total
Self Performed Subtotal	\$ 401.13	
10% Overhead and Profit	\$ 60.29	
Self Performed Total	\$ 461.42	
Subcontractors	\$ -	Auto Fill from Sub-Total Below
5% Overhead and Profit on Subs	\$ -	(5% is the max allowed on subcontractors)
Subcontractor Total	\$ -	
TOTAL COST OF CHANGE	\$ 483.80	

Signature: _____

Contractor acknowledges no other Costs associated with this PCO.

PROVIDE DETAIL BREAKDOWN BELOW:

Labor By Task	Qty	Unit	Unit Cost	Total Cost
Receptacle, W.P. box, Expansion	1		\$ 140.00	\$ 140.00
				\$ -
breaker	1		\$ 15.00	\$ 15.00
				\$ -
Sub-Total				\$ 155.00

Materials and Equipment By Task	Qty	Unit	Unit Cost	Total Cost
1" PVC	2		6	\$ 12.00
1" fittings t.a., coupling	6		8	\$ 48.00
6 Thhn	75		1.05	\$ 78.75
Expansion joint	1		22	\$ 22.00
Box, cover, receptacle	1		\$ 63.00	\$ 63.00
				\$ -
				\$ -
				\$ -
Sub-Total				\$ 223.75

Sub-Contractor Proposals	Description of Work	Total Cost
		\$ -
		\$ -
		\$ -
		\$ -
Sub-Total	<i>(Attach Sub-Contractor Proposals)</i>	\$ -



POTENTIAL CHANGE ORDER

Breitbach Construction Co.
25123- - Redwood Falls Public Library

DATE:5/21/2026
PCO#: 7

To: Jim Doering
City of Redwood Falls
PO Box 526
Redwood Falls, MN 56283

From: Jacob Weller
Breitbach Construction Co.
802 1st Ave
Elrosa, MN 56325

Phone:
Email: Jdoering@ci.redwood-falls.mn.us
CC:

Phone: 320.697.5525
Email: jacobw@bcc-mn.com

Below is the detail for our proposal to complete the following changes in contract work:

- Pending Change Order: Cistern and Well Discovery and Removal
- Proposed Scope of Work:

PCO Item	Cost	Markup	Amount
1 : TNT - Cistern and Well Discovery and Removal	12,413.81	620.69	13,034.50
2 : Steffl - Watch and Document Well Sealing and Abondonment	4,500.00	450.50	4,950.00
3 : BCC - Pump and Hose	170.00	8.50	178.50

TOTAL: \$18,163.00

Submitted By:

Approved By:

5/21/2026

Jacob Weller
Breitbach Construction Co.

Date

Jim Doering
City of Redwood Falls

Date

Approved By:

City of Redwood Falls

Date

TNT Construction/Kerkhoff, Inc

912 Front St W
Morgan MN 56266

Bid/Quote

Date	Bid #
5/18/2026	926

Name / Address
Breitbach Construction Co 802 1st Ave PO Box 78 Elrosa, MN 56325

Project
redwood falls library

Item	Description	Qty	U/M	Rate	Total
	CHANGE ORDER - 5/7/26 & 5/11/26				
Proposal Bid cy	Dig out unsuitable soils from basement that was found	428	cu yd	8.25	3,531.00
Proposal Bid	Dig out cistern & haul out	1	ls	670.00	670.00
Proposal Bid t	1-1/2" Clean Rock - furnished & installed	20.12	ton	38.00	764.56
Proposal Bid	Dig out well, close up & haul out	1	ls	625.00	625.00
Proposal Bid cy	Sand fill for old basement	557	cu yd	12.25	6,823.25

THANK YOU FOR YOUR BUISNESS, WE APPERCIATE IT. IF YOU HAVE ANY QUESTIONS, PLEASE CALL TIM'S CELL 507-829-3182

OFFICE PHONE: 507-249-3182
E-MAIL: tntcon@redred.com

PLEASE ADD 3.5% IF PAYING BY MASTERCARD OR VISA TO COVER THE FEE CHARGE

Subtotal	\$12,413.81
Sales Tax (7.375%)	\$0.00
Total	\$12,413.81

STEFFL DRILLING & PUMP

2295 66TH AVE NE
WILLMAR, MN 56201-9246
(320) 235-8484

INVOICE

INVOICE DATE: 5/21/2026
INVOICE NUMBER: 165538
P.O. NUMBER:

BILL TO:

BREITBACH CONSTRUCTION CO
802 1ST AVENUE
PO BOX 78
ELROSA, MN 56325

SITE ADDRESS:

REDWOOD FALLS PUBLIC LIBRARY
509 S LINCOLN ST
REDWOOD FALLS MN 56283

PHONE: 320-697-5525

EMAIL:

DUE DATE	TERMS	USER	SERVICE TECH	CUST CODE	ST-3	UNIQUE #
5/31/2026	DUE IN 10 DAYS	LW	MIKE S	BREICO	No	H420536 / H420537

ITEM	DESCRIPTION	QUANTITY	PRICE	U/M	AMOUNT
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ABANDON 2QTY WELLS - INCLUDES ALL PERMITS, FILING, AND PAPER WORK WITH THE STATE.

ALL NUMBERS APPROVED BY GREG 320-250-7025

SAW	SEAL AND ABANDON WELL - 1ST WELL	1	3,500.00	EA	3,500.00T
SAW	SEAL AND ABANDON WELL - 2ND WELL	1	1,000.00	EA	1,000.00T

H420536 / SEALED 18" TILE WELL W/ CLAY
(44 32 15.50N 95 06 50.10W)
DUG UP AND REMOVED WELL WITH TRACKHOE
05/08/2026 MIKE S

H420537 / SEALED 36" BRICK WELL W/ CLAY
(44 32 15.30N 95 06 50.10W)
DUG UP WITH TRACKHOE TO 20' AND BACKFILLED WITH CLAY.
05/08/2026 MIKE S

SUBTOTAL	\$4,500.00
SALES TAX (0.0%)	\$0.00
INVOICE TOTAL	\$4,500.00
PAYMENTS/CREDITS	\$0.00
BALANCE DUE	\$4,500.00

THANK YOU! WE APPRECIATE YOUR BUSINESS!
FINANCE CHARGE 1.5% AFTER 10 DAYS
SURCHARGE 4% FOR CREDIT CARD PAYMENTS

AGENDA RECOMMENDATION

Meeting Date: June 16, 2026

Agenda Item: Resolution No. 37 of 2026 – Resolution Accepting Donation for Legion Park

Recommendation/Action Requested: Read the proposed Resolution or make a motion to waive the reading of the Resolution. Discuss the proposed Resolution. If no concerns, adopt proposed Resolution by motion in accordance with Chapter 4 of the City Charter.

Summary/Overview: Minnesota Statute 465.03 gives the city authority to receive donations and requires them to be formally accepted by resolution, adopted by a two-thirds vote of the Council. Attached is a resolution authorizing the acceptance of a financial contribution in the amount of \$10,820 from Reforest Redwood Falls. This donation is for the replacement of trees at Johnson Park and Perks Park, which were removed due to the presence of Emerald Ash Borer. The donation covers the total cost of replacement trees.

Attachments: Resolution No. 37 of 2026

RESOLUTION NO. 37 OF 2026
A RESOLUTION ACCEPTING A DONATION TO THE CITY.

WHEREAS, the City of Redwood Falls is generally authorized to accept donations of real and personal property pursuant to Minnesota Statutes Section 465.03 et seq. for the benefit of its citizens and is specifically authorized to accept gifts; and

WHEREAS, the following persons and entities have offered to contribute the cash amounts set forth below to the City:

<u>Name of Donor</u>	<u>Amount</u>
Reforest Redwood Falls	\$10,820.00

WHEREAS, the terms or conditions of the donations, if any, are as follows:

Terms or Conditions
Donation for tree replacement project at Johnson Park and Perks Park.

WHEREAS, all such donations have been contributed to the City for the benefit of its citizens, as allowed by law; and

WHEREAS, the City Council finds that it is appropriate to accept the donations offered.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDWOOD FALLS, MINNESOTA AS FOLLOWS:

1. The donations described above are accepted and shall be used to establish and/or operate services either alone or in cooperation with others, as allowed by law.
2. The city clerk is hereby authorized, if requested, to issue receipts to each donor acknowledging the City's receipt of the donor's donation.

PASSED AND ADOPTED by the City Council of the City of Redwood Falls, Minnesota, this 16th day of June 2026.

ATTEST:

Keith Muetzel
City Administrator

Tom Quackenbush
Mayor

(City Seal)

Subscribed and sworn to before me this
16th day of June 2026.

Notary Public

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

Agenda Item: First and Final Pay Application (Airport Hangar and Taxi Lanes Pavement Maintenance).

Recommendation/Action Requested: Staff recommend approval of the final pay request (Airport Hangar and Taxi Lanes Pavement Maintenance) for \$66,592.50 with check disbursement contingent upon receipt of the certified prevailing wage payroll reports and MN IC134s.

Summary/Overview: Council approved the FAA grant submission for the MNDOT Aeronautics Hangar and Taxi lanes Pavement Maintenance (A6401-63 Project) Grant Application project at the regularly scheduled meeting held on December 2, 2025, through Resolution No. 83 of 2025. MnDOT Aeronautics has issued the state companion grant agreement 1062007 for Council approval and signature.

Council approved Resolution No. 5 at the January 20, 2026, meeting that allowed access of reimbursable funds through MNDOT Aeronautics. The State funding portion is \$46,614.75 and the local share of \$19,977.75 (70/30) will be funded through the Airport Project Fund. The total project cost is \$66,592.50 per the approved quote provided by Pearson Brothers Inc. on December 2, 2025, with Resolution No. 83 of 2025.

Attachments: Final Invoice from Pearson Brothers
December 2, 2025, Approved Quote
Map of Project Area

Invoice



11079 Lamont Ave NE
Hanover, MN 55341

BILL TO:

City of Redwood Falls
333 South Washington St.
Redwood Falls, MN 56283

<i>DATE</i>	<i>INVOICE NO.</i>
5/28/2026	6431

<i>P.O. NO.</i>	<i>TERMS</i>	<i>PROJECT</i>
Airport	Net 30	

<i>ITEM</i>	<i>DESCRIPTION</i>	<i>QTY</i>	<i>RATE</i>	<i>AMOUNT</i>
Seal Coat	Redwood Falls Airport			
Crack Fill	Square Yard Seal Coat As Per Contract Mixture For Joints & Cracks	15,118	3.75	56,692.50
			9,900.00	9,900.00

			Total	\$66,592.50
--	--	--	--------------	-------------

<i>Phone #</i>	<i>Fax #</i>
(763) 391-6622	(763) 391-6627

Pearson Bros., Inc.

11079 Lamont Avenue N.E. ~ Hanover, MN 55341
Phone: (763) 391-6622 ~ Fax: (763) 391-6627

ATTENTION: Jim Doering

PHONE #: 507-430-5904

FAX #:

JOB LOCATION: Redwood Falls
ADDRESS:

DATE: Nov 5, 2025

WE HEREBY SUBMIT SPECIFICATIONS AND ESTIMATES FOR: (15,118) APPROX. SQUARE
YARDS OF BITUMINOUS SEAL COATING.

PRE-SEAL: Area to be swept by Pearson Bros., Inc.

LIQUID APPLICATION: Pearson Bros., Inc. will furnish and install CRS-2P Liquid Asphalt at .26
gallons per square yard.
Fog Seal @ .10 gallons per square yard

AGGREGATE COVER: Pearson Bros., Inc. will furnish and install FA-2 Class A
18 lbs per square yard.


ROLLING: Entire area shall be rolled with (2) Eleven (11) Wheel Pneumatic Tire Rollers.

PICK- UP SWEEP: Excess rock shall be picked up by and disposed of by Pearson Bros., Inc.

START DATE: No earlier than: May 15, 2026 COMPLETION DATE: No later than: Sep 15th, 2026

We Proposed Hereby to Furnish Material and Labor -- Complete in Accordance with the Above Specifications,
for the Sum of: \$56,692.50 (15,118 y2 @ \$3.75 per sq yard - includes fog seal)
\$9,900.00 Crack Fill 300 In ft route and seal / 3,765 touch up
\$66,592.50 Total Cost (Prevailing Wage)

AUTHORIZED SIGNATURE:



Payment Due Upon Completion

TODD BARTELS
PEARSON BROS., INC.

ACCEPTANCE OF PROPOSAL -- The above prices,
specifications and conditions are satisfactory and
are hereby accepted. You are authorized to do the
work as specified. Payment will be made as
outlined above.

SIGNATURE: 

DATE: 12-3-25

Proposal good for 30 days. Please read and initial disclaimer - Bottom right tab

APRON & TAXILANE PAVEMENT MAINTENANCE

REDWOOD FALLS MUNICIPAL AIRPORT (RWF)

PRELIMINARY LAYOUT

NOVEMBER 2025



U:\\$H Drive Data\Airports\Airport CIP - Grant\REDM\Redwood Falls FY 2026\SPY_26\RWF_PAVEMENT_MAINTENANCE_LAYOUT.dwg 11/3/2025 8:13:32 AM

Meeting Date: June 16, 2026

AGENDA RECOMMENDATION

Agenda Item: Establish City Council Work Session Agenda

Recommendation/Action Requested: Staff requests the City Council formally establish the agenda for the June 30, 2026, work session.

Summary/Overview: The next City Council work session is scheduled for June 30, 2026. To prepare for the meeting, and ensure adequate time is allowed for each agenda item, staff requests the City Council formally establish the work session agenda. The following items have been suggested by staff as an agenda item:

- Regulations for Fences Constructed within Utility Easements
- Regulations for E-Bikes and E-Scooters

Attachments: None