

CITY OF REDWOOD FALLS, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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INTRODUCTORY SECTION

**CITY OF REDWOOD FALLS, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2020**

Name	Position	Term Expires
Tom Quackenbush	Mayor	December 31, 2022
Denise Kerkhoff	Council Member	December 31, 2020
Matt Smith	Council Member	December 31, 2020
John T. Buckley	Council Member	December 31, 2020
Larry Arentson	Council Member	December 31, 2022
James Sandgren	Council Member	December 31, 2022
Keith Muetzel	City Administrator	
Melissa Meyer	Director of Finance & Administrative Services	
Trenton Dammann	City Attorney	

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the total OPEB liability, related ratios and notes, schedule of the city's proportionate share of the net pension liability, the schedule of the city's pension contributions, the fire relief association schedule of changes in the net pension asset and related ratios, and budgetary comparison information are presented to supplement the basic financial statements. Such information, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Redwood Falls' basic financial statements. The combining statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

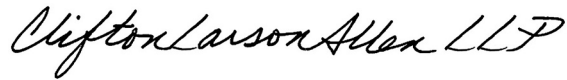
The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
June 16, 2021

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

This section of the annual financial statements of the City of Redwood Falls, Minnesota (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ending December 31, 2020. Please read it in conjunction with the financial statements, which follow this section. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$72,140,449. Of this amount \$18,100,192 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net position increased by \$1,035,066 or 1.5%, over 2019.
- The City's governmental funds reported combined ending fund balances of \$16,769,254. Of this total amount, \$2,261,344 is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,124,839 or 51% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Statement of Net Position and Statement of Activities

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

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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

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

Fund Financial Statements

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

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

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

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-75 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 76-92 of this report. It consists of budgetary comparison information for certain of the City's governmental funds, the fire relief association schedule of change in the net pension asset and related ratios, schedule of the proportionate share of the net pension liability, the schedule of pension contributions, and the schedule of changes in the total OPEB liability, related ratios and notes.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City of Redwood Falls' net position increased during 2020 by \$1,035,066. Our analysis below focuses on the net position (see Table 1) and changes in net position (see Table 2) of the City's governmental and business-type activities.

**Table 1
STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 17,808,479	\$ 15,643,036	\$ 11,109,056	\$ 11,894,063	\$ 28,917,535	\$ 27,537,099
Capital Assets	27,465,225	31,201,037	33,527,042	31,884,394	60,992,267	63,085,431
Total Assets	45,273,704	46,844,073	44,636,098	43,778,457	89,909,802	90,622,530
Deferred Outflows of Resources	737,647	1,122,083	146,723	134,899	884,370	1,256,982
Noncurrent Liabilities Outstanding	3,965,798	3,949,716	11,173,788	11,964,376	15,139,586	15,914,092
Other Liabilities	957,338	1,177,434	1,277,031	1,545,777	2,234,369	2,723,211
Total Liabilities	4,923,136	5,127,150	12,450,819	13,510,153	17,373,955	18,637,303
Deferred Inflows of Resources	1,081,057	1,771,270	198,711	365,556	1,279,768	2,136,826
Net Position						
Net Investment in Capital Assets	26,205,738	29,750,628	23,719,645	20,865,084	49,925,383	50,615,712
Restricted	3,640,711	1,506,648	474,163	705,774	4,114,874	2,212,422
Unrestricted	10,160,709	9,810,460	7,939,483	8,466,789	18,100,192	18,277,249
Total Net Position	\$ 40,007,158	\$ 41,067,736	\$ 32,133,291	\$ 30,037,647	\$ 72,140,449	\$ 71,105,383

Governmental Activities

Net position of the City's governmental activities decreased by \$1,060,578 or 3%. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirement was \$10,160,709 at December 31, 2020. A thorough analysis of governmental activities is discussed below.

Business-Type Activities

The net position of our business-type activities increased by \$2,095,644 or 7%, due to the City's proprietary funds continuing to show strong financial performance. The Proprietary funds made cash transfers to governmental funds totaling approximately \$1,129,000.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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

**Table 2
STATEMENT OF ACTIVITIES**

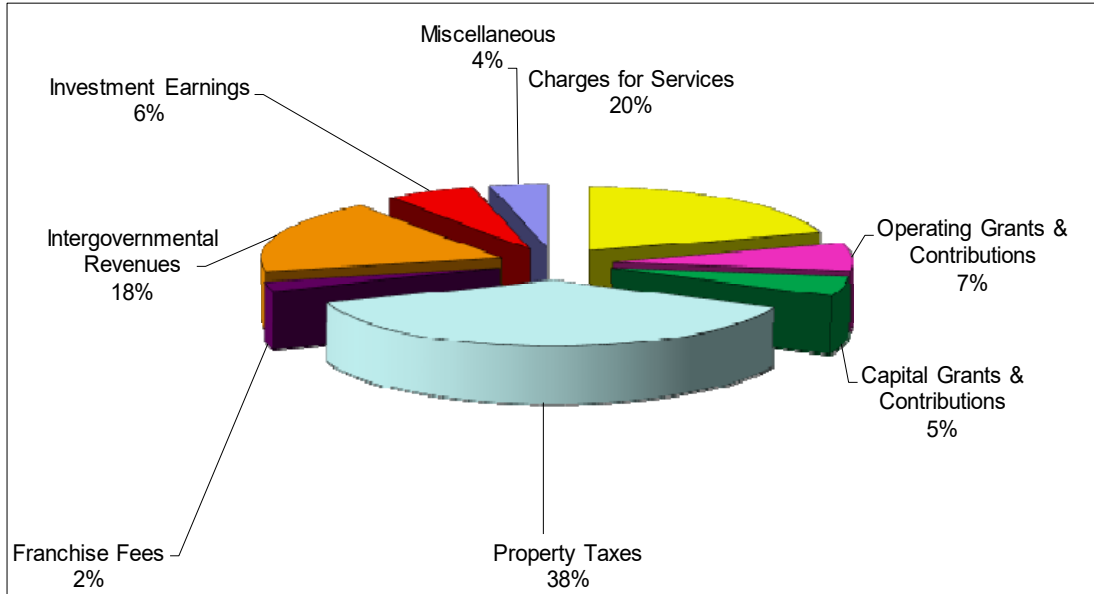
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program Revenues						
Charges for Services	\$ 1,815,328	\$ 2,338,302	\$ 12,080,625	\$ 11,664,071	\$ 13,895,953	\$ 14,002,373
Operating Grants and Contributions	610,552	547,146	8,292	136,815	618,844	683,961
Capital Grants and Contributions	415,995	1,810,606	948,237	105,777	1,364,232	1,916,383
General Revenues						
Property Taxes	3,382,788	3,260,511	-	-	3,382,788	3,260,511
Franchise Fees	164,423	181,734	-	-	164,423	181,734
Hotel Taxes	28,533	34,295	-	-	28,533	34,295
Intergovernmental Revenues	1,646,797	1,542,716	-	-	1,646,797	1,542,716
Unrestricted Investment Earnings	540,012	522,093	321,781	342,981	861,793	865,074
Miscellaneous	351,346	134,939	88,702	194,438	440,048	329,377
Total Revenue	<u>8,955,774</u>	<u>10,372,342</u>	<u>13,447,637</u>	<u>12,444,082</u>	<u>22,403,411</u>	<u>22,816,424</u>
Expenses						
General Government	1,260,455	1,434,182	-	-	1,260,455	1,434,182
Public Safety	2,000,693	1,988,213	-	-	2,000,693	1,988,213
Highways & Streets	1,756,708	1,942,301	-	-	1,756,708	1,942,301
Culture and Recreation	2,493,735	2,841,176	-	-	2,493,735	2,841,176
Economic Development	151,332	179,282	-	-	151,332	179,282
Airport	597,187	536,593	-	-	597,187	536,593
Community Development	2,860,021	2,879,559	-	-	2,860,021	2,879,559
Interest and Fiscal Charges	25,177	24,037	-	-	25,177	24,037
Municipal Liquor Store	-	-	2,501,462	2,147,034	2,501,462	2,147,034
Water Utility	-	-	1,299,465	1,272,997	1,299,465	1,272,997
Sewer Utility	-	-	1,066,378	1,057,570	1,066,378	1,057,570
Storm Sewer Utility	-	-	289,317	314,067	289,317	314,067
Electric Utility	-	-	5,066,415	5,473,412	5,066,415	5,473,412
Total Expenses	<u>11,145,308</u>	<u>11,825,343</u>	<u>10,223,037</u>	<u>10,265,080</u>	<u>21,368,345</u>	<u>22,090,423</u>
Change in Net Position Before Transfers, Special Item, and Contributions	(2,189,534)	(1,453,001)	3,224,600	2,179,002	1,035,066	726,001
Special Item - Transfer of Hospital Fixed Assets	-	6,301,256	-	(6,301,256)	-	-
Special Item - Loss on Disposal of Operations	-	-	-	(15,906,442)	-	(15,906,442)
Transfers and Contributions	1,128,956	595,896	(1,128,956)	(595,896)	-	-
Change in Net Position	<u>(1,060,578)</u>	<u>5,444,151</u>	<u>2,095,644</u>	<u>(20,624,592)</u>	<u>1,035,066</u>	<u>(15,180,441)</u>
Net Position - Beginning of Year	41,067,736	35,448,179	30,037,647	50,662,239	71,105,383	86,110,418
Change in Accounting Principle	-	175,406	-	-	-	175,406
Net Position - Beginning of Year, As Restated	<u>41,067,736</u>	<u>35,623,585</u>	<u>30,037,647</u>	<u>50,662,239</u>	<u>71,105,383</u>	<u>86,285,824</u>
Net Position - End of Year	<u>\$ 40,007,158</u>	<u>\$ 41,067,736</u>	<u>\$ 32,133,291</u>	<u>\$ 30,037,647</u>	<u>\$ 72,140,449</u>	<u>\$ 71,105,383</u>

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Governmental Activities

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

**2020 REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES**



Revenues – The City's governmental activities revenues decreased by \$1,416,568 or 13.7%. The major components of this decrease are explained as follows:

- 2020 capital grants and contributions decreased from 2019 by \$1,395,000. 2019 grants and contributions included \$797,000 for the Courthouse Square project, \$516,000 for the Lake Redwood Reclamation, \$332,000 for the Gould Street Reconstruction, \$126,000 for the 7-Bay Hangar and \$40,000 for other small projects. 2020 grants and contributions included \$281,000 in COVID Relief Funding (CARES) that was used for capital projects at the RACC, Library, City Hall and the Fire department, \$70,000 for the Courthouse Square project, and \$24,000 to purchase a Kubota tractor at the Airport, with the remaining \$41,000 representing numerous small projects.
- 2020 operating grants and contributions increased from 2019 by \$63,000, including \$138,000 in CARES funding that was used for non-capital purposes, netted by \$66,000 less FEMA reimbursements received in 2020 than in 2019.
- Charges for Services decreased from 2019 by \$523,000, including \$325,000 less in rentals, memberships and activity fees at the RACC, pool and summer recreation programs due to COVID restrictions, a reduction of \$174,000 in building related permits and plan review fees, and \$37,000 less in fuel sales at the Airport presumably due to COVID restrictions on travel and meeting in person.
- Property Taxes increased from 2019 by \$122,000 and Local Government Aid (LGA) increased over 2019 by \$104,000.
- Miscellaneous revenues increased in 2020 by \$216,000 due to \$100,000 in insurance reimbursement for damage to the Airport terminal and \$92,000 in sales of Prairie Knoll lots.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Expenses – The City's expenses for governmental activities decreased by \$680,035 or 5.8%. The major components of this decrease are explained as follows:

- 2020 was impacted by COVID-related closures, both in reduced revenues as noted above and also reduced expenses, totaling an estimated \$337,000 fewer expenses than the prior year for governmental activities. This is comprised of \$210,000 for various RACC and pool expenses, \$33,000 in Airport fuel purchases and \$12,000 for Library expenses, all compared to 2019. Other items to note include \$194,000 less to seal coat in 2020, \$57,000 related to employee turnover, \$46,000 for a patrol car purchased in 2019, \$71,000 for FEMA related repairs in 2019, \$30,000 less in TIF payments, \$25,000 fewer snow-removal costs in 2020 than in 2019, and \$20,000 to remodel the Council Chambers in 2019, offset by \$100,000 to repair the Airport terminal in 2020.

Business-Type Activities

Revenues – The City's business-type operating revenues and other income increased 8%, or \$1,003,555 in 2020 when compared to 2019. \$417,000 is attributable to higher charges for services, \$448,000 increased sales at the Liquor Lodge likely related to COVID-related closures of the bars in addition to increases in charges for services for the water utility of \$133,000, sewer utility of \$44,000, storm sewer utility of \$14,000 and offset by a decrease of \$222,000 in the electric utility charges for services due to stable rates and less consumption than in 2019. Capital grants and contributions increased by \$842,000, of which \$820,000 relates to the new hospital, offset by a \$129,000 reduction in operating grants from 2019 to 2020 related to the Courthouse Square project and flooding in 2019, a decrease in investment earnings of \$21,000 and \$106,000 in miscellaneous revenue largely related to SMMPA reimbursed repairs to electrical equipment in 2019.

Expenses – There was a decrease in business-type expenses of \$42,043 or .04%, The electric utility's purchased power costs in 2020 are \$396,000 less than in 2019, offset by \$354,000 in higher costs at the Liquor Lodge mostly related to product purchases.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund – The City's General Fund balance decreased by \$107,433 from the 2019 balance. This decrease is attributable in part to the General Fund budgetary highlights discussed below.

Capital Project Fund – The Capital Project Fund balance decreased by \$376,953 and ended the year with a \$6,493,497 fund balance. This decrease is comprised of various factors; most notable is a transfer of \$944,000 to the Community Development fund to purchase land for development near the new hospital, \$372,000 to acquire land, along with the RCRCA, for the disposal of the material dredged from Lake Redwood, \$89,000 for projects at the RACC, including developing electric car charging stations and \$77,000 in numerous small projects. The contributions that offset these projects include \$500,000 from the electric fund for the Lake Redwood Reclamation project, favorable investment returns of \$266,000, PILOT payment from Carris Health per agreement of \$181,000, a transfer of \$90,000 for IT equipment that was delayed until 2021, the repayment of MSAS funds of \$44,000 and \$24,000 in interest from the Runnings TIF #10-1.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

TIF #10-1 Runnings Redevelopment - The TIF #10-1 Runnings Redevelopment balance represents the amount of the General Fund loan to the District that remains unpaid as of year-end. The loan will be repaid with tax increment received over the 26-year life of the TIF District. \$44,001 was paid on the loan balance in 2020.

Nonmajor Governmental Funds – The fund balances for the Nonmajor Governmental Funds increased by \$2,561,039 in total and ended the year with a balance of \$4,579,881. The increase is due primarily to a transfer of \$1,851,000 from the Community Development fund to the Port Authority for the land purchased for development, \$600,000 received from Carris Health to rent the hospital building and favorable investment returns of \$48,000.

General Fund Budgetary Highlights

Actual revenue was more than budget in 2020 by \$529,627. The City of Redwood Falls received \$394,000 in Coronavirus Aid, Relief and Economic Security Act (CARES) funding, of which \$374,000 was recorded in the General Fund. However, revenues were an estimated \$319,000 under budget in rentals, memberships and activity fees at the RACC, Pool and summer recreation programs due to Covid closures and restrictions. Other revenues that exceeded budget were \$158,000 in FEMA payments received for 2018 and 2019 flooding, \$139,000 in Investment Earnings, \$71,000 in reimbursements from the State and the County on the shared Courthouse Square project, \$58,000 in insurance proceeds received for damage to the light pole at the ball field, \$43,000 in building-related permits and fees, \$42,000 for two Prairie Knoll lots were sold over what was budgeted, \$25,000 due to the first year of the new dog licensing process, and \$20,000 in State contributions to the City's PERA plans recorded in 2020, offset by \$110,000 in funding for a playground project that wasn't obtained.

Expenditures were less than budget by \$214,388. Significant variances are as follows; \$374,000 was spent on unbudgeted CARES-related improvements, \$87,000 in Parks and Recreation projects including \$29,000 to design electric car charging stations and \$58,000 to repair the light pole at the ball field, and \$49,000 to complete the Courthouse Square project. These unfavorable variances were offset by \$358,000 in reduced expenses at the RACC, pool and summer recreation programs, an estimated \$26,000 in reduced expenses at other General Fund locations, \$130,000 budgeted to replace servers that are no longer needed, \$98,000 in savings due to employee turnover and \$110,000 in postponed upgrades to playground equipment.

Transfers in were over budget by \$1,016,920 and include \$944,000 from the Capital Project Fund toward the purchase of land for development, \$42,000 to reclass funds assigned for Fire Relief from the Fire Equipment Fund, \$29,000 from the Electric Fund for the electric car charging stations.

Transfers out were higher than budget by \$2,009,443 and include \$1,851,000 to transfer land purchased for development to the Port Authority Fund, \$90,000 for IT equipment postponed to 2021 and \$68,000 in repayment of the MSAS advance to the TIF 10-1 that was transferred to the Capital Project Fund for future projects.

**CITY OF REDWOOD FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City of Redwood Falls, had \$137,401,873 invested (original cost) in a broad range of capital assets. Refer to Note 3 of the basic financial statements for a schedule showing the City's capital asset activity. This amount represents a net increase (including additions and deductions) in gross capital assets of \$3,411,455 over last year.

Long-Term Debt

At year-end, the City of Redwood Falls, has \$10,798,000 in outstanding bonds and notes. During 2020, \$2,708,999, in debt was retired through scheduled principal payments and refundings. During 2020, \$1,634,000 of refunding debt was issued. Refer to Note 4 of the basic financial statements for a schedule showing the City's long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Redwood Falls' appointed officials considered many factors when presenting the fiscal year 2021 budget and rates and fees that will be charged for the business-type activities. The major factor continues to be personnel costs in the General Fund as the services provided are labor intensive. In addition, providing the costly infrastructure maintenance and improvements necessary for the citizenry continues to be a balancing act with a constant tax base and reductions in government aid. The City continues its efforts with cost containment, particularly in the areas of fuel and insurance costs. Appointed and elected officials continue to work together to balance and prioritize to continue providing essential services to the community.

CONTACT INFORMATION

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

BASIC FINANCIAL STATEMENTS

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 15,543,688	\$ 7,204,525	\$ 22,748,213
Cash and Investments - Restricted	-	450,056	450,056
Accounts Receivable, Net	240,083	1,316,727	1,556,810
Property Taxes Receivable	119,049	-	119,049
Special Assessments Receivable	47,062	14,392	61,454
Accrued Interest Receivable	54,476	65,213	119,689
Interfund Balances	(1,034,908)	1,034,908	-
Due from Other Governments	498,956	49,635	548,591
Inventories	44,796	821,570	866,366
Land Held for Resale	1,920,892	-	1,920,892
Prepaid Items	159,662	88,447	248,109
Notes Receivable	28,922	-	28,922
Acquisition Costs, Net of Amortization	-	63,583	63,583
Net Pension Asset	185,801	-	185,801
Capital Assets Not Being Depreciated:			
Land	1,690,384	952,306	2,642,690
Land Improvements	100,938	-	100,938
Construction in Progress	455,810	2,869,034	3,324,844
Capital Assets Being Depreciated:			
Other Capital Assets, Net of Depreciation	25,218,093	29,705,702	54,923,795
Total Assets	45,273,704	44,636,098	89,909,802
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding Bonds	1,935	32,979	34,914
Pension Related	719,827	104,289	824,116
Other Postemployment Benefits Related	15,885	9,455	25,340
Total Deferred Outflows of Resources	737,647	146,723	884,370
LIABILITIES			
Accounts Payable	214,090	402,280	616,370
Contracts Payable	6,109	310,777	316,886
Accrued Salaries and Fringes	92,133	55,212	147,345
Accrued Interest Payable	11,525	68,236	79,761
Other Accrued Liabilities	-	20,105	20,105
Due to Other Governments	27,981	53,089	81,070
Deposits Payable	2,332	135,406	137,738
Unearned Revenue	230,064	24,322	254,386
Long-Term Liabilities:			
Net Pension Liability	2,404,648	1,394,867	3,799,515
OPEB Liability Due Within One Year	15,885	9,455	25,340
OPEB Liability Due in More than One Year	357,219	198,149	555,368
Due Within One Year	314,018	887,761	1,201,779
Due in More than One Year	1,247,132	8,891,160	10,138,292
Total Liabilities	4,923,136	12,450,819	17,373,955
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,003,330	159,957	1,163,287
Other Postemployment Benefits Related	62,657	38,754	101,411
Property Taxes Collected for Subsequent Period	15,070	-	15,070
Total Deferred Inflows of Resources	1,081,057	198,711	1,279,768
NET POSITION			
Net Investment in Capital Assets	26,205,738	23,719,645	49,925,383
Restricted for:			
Police Seizures	30,098	-	30,098
Library	364,850	-	364,850
Firefighter Pension	185,801	-	185,801
Port Authority	2,247,724	-	2,247,724
Revolving Loans	703,852	24,107	727,959
Transportation	108,386	-	108,386
Debt Service	-	450,056	450,056
Unrestricted	10,160,709	7,939,483	18,100,192
Total Net Position	<u>\$ 40,007,158</u>	<u>\$ 32,133,291</u>	<u>\$ 72,140,449</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 1,260,455	\$ 330,088	\$ 79,678	\$ 241,233
Public Safety	2,000,693	193,266	183,536	111,493
Highways and Streets	1,756,708	10,344	190,513	33,521
Culture and Recreation	2,493,735	456,154	92,883	2,097
Economic Development	151,332	-	-	-
Airport	597,187	224,228	63,942	27,651
Community Development	2,860,021	601,248	-	-
Interest and Fiscal Charges	25,177	-	-	-
Total Governmental Activities	11,145,308	1,815,328	610,552	415,995
Business-Type Activities				
Municipal Liquor Store	2,501,462	2,656,817	4,972	-
Water Utility	1,299,465	1,474,928	1,890	262,135
Sewer Utility	1,066,378	1,034,360	-	686,102
Storm Sewer Utility	289,317	313,292	-	-
Electric Utility	5,066,415	6,601,228	1,430	-
Total Business-Type Activities	10,223,037	12,080,625	8,292	948,237
Total	\$ 21,368,345	\$ 13,895,953	\$ 618,844	\$ 1,364,232

GENERAL REVENUES

Taxes
Property Taxes, Levied for General Purpose
Franchise Taxes
Hotel/Motel Taxes
Intergovernmental Revenues, Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (609,456)	\$ -	\$ (609,456)
(1,512,398)	-	(1,512,398)
(1,522,330)	-	(1,522,330)
(1,942,601)	-	(1,942,601)
(151,332)	-	(151,332)
(281,366)	-	(281,366)
(2,258,773)	-	(2,258,773)
(25,177)	-	(25,177)
<u>(8,303,433)</u>	-	<u>(8,303,433)</u>
-	160,327	160,327
-	439,488	439,488
-	654,084	654,084
-	23,975	23,975
-	1,536,243	1,536,243
-	<u>2,814,117</u>	<u>2,814,117</u>
<u>(8,303,433)</u>	<u>2,814,117</u>	<u>(5,489,316)</u>
3,382,788	-	3,382,788
164,423	-	164,423
28,533	-	28,533
1,646,797	-	1,646,797
540,012	321,781	861,793
351,346	88,702	440,048
1,128,956	(1,128,956)	-
<u>7,242,855</u>	<u>(718,473)</u>	<u>6,524,382</u>
(1,060,578)	2,095,644	1,035,066
<u>41,067,736</u>	<u>30,037,647</u>	<u>71,105,383</u>
<u>\$ 40,007,158</u>	<u>\$ 32,133,291</u>	<u>\$ 72,140,449</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
BALANCE SHEET GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

ASSETS	General	Capital Projects Fund	TIF #10-1 Runnings Redevelopment	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 5,643,405	\$ 6,386,035	\$ -	\$ 2,724,944	\$ 14,754,384
Accounts Receivable, Net	122,177	45,666	-	5,525	173,368
Property Taxes Receivable	97,718	-	-	21,331	119,049
Special Assessments Receivable	46,464	-	-	-	46,464
Accrued Interest Receivable	29,954	11,469	-	11,116	52,539
Advances to Other Funds	770,368	-	-	-	770,368
Due from Other Funds	2,117	81,003	-	-	83,120
Due from Other Governments	270,564	-	-	226,007	496,571
Prepaid Items	135,268	9,990	-	9,344	154,602
Property Held for Resale	-	-	-	1,920,892	1,920,892
Notes Receivable	-	-	-	28,922	28,922
Inventory	4,627	-	-	40,169	44,796
Total Assets	<u>\$ 7,122,662</u>	<u>\$ 6,534,163</u>	<u>\$ -</u>	<u>\$ 4,988,250</u>	<u>\$ 18,645,075</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 136,619	\$ -	\$ -	\$ 61,167	\$ 197,786
Contracts Payable	4,819	-	-	1,290	6,109
Accrued Salaries and Fringes	81,378	-	-	8,594	89,972
Due to Other Funds	17,031	-	-	85,182	102,213
Due to Other Governments	27,981	-	-	-	27,981
Advances from Other Funds	-	-	770,368	-	770,368
Deposits	2,332	-	-	-	2,332
Unearned Revenue	150,928	-	-	79,136	230,064
Total Liabilities	<u>421,088</u>	<u>-</u>	<u>770,368</u>	<u>235,369</u>	<u>1,426,825</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes Collected for a Subsequent Period	12,535	-	-	2,535	15,070
Unavailable Revenue - Taxes and Special Assessments	92,255	-	-	15,240	107,495
Unavailable Revenue - Loans	-	-	-	28,922	28,922
Unavailable Revenue - Grants and Other	130,540	-	-	126,303	256,843
Unavailable Revenue - Pledges	-	40,666	-	-	40,666
Total Deferred Inflows of Resources	<u>235,330</u>	<u>40,666</u>	<u>-</u>	<u>173,000</u>	<u>448,996</u>
FUND BALANCES					
Nonspendable:					
Prepaid Items	135,268	9,990	-	9,344	154,602
Advance	770,368	-	-	-	770,368
Inventory	4,627	-	-	40,169	44,796
Restricted for:					
Seizures	30,098	-	-	-	30,098
Library	-	-	-	349,989	349,989
Port Authority	-	-	-	2,244,827	2,244,827
Revolving Loans	-	-	-	674,930	674,930
Committed to:					
Fire Equipment	-	-	-	143,240	143,240
Airport Operations	-	-	-	28,202	28,202
Economic Development	-	-	-	856	856
Hospital Building	-	-	-	1,181,451	1,181,451
Tax Levy Stabilization	-	5,000,000	-	-	5,000,000
Capital Expenditures	-	1,483,507	-	-	1,483,507
Assigned to:					
Softball Improvements	67,150	-	-	-	67,150
Working Capital	2,292,170	-	-	-	2,292,170
Fire Relief Contribution	41,724	-	-	-	41,724
Unassigned:	3,124,839	-	(770,368)	(93,127)	2,261,344
Total Fund Balances	<u>6,466,244</u>	<u>6,493,497</u>	<u>(770,368)</u>	<u>4,579,881</u>	<u>16,769,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,122,662</u>	<u>\$ 6,534,163</u>	<u>\$ -</u>	<u>\$ 4,988,250</u>	<u>\$ 18,645,075</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balance for Governmental Funds \$ 16,769,254

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,638,484	
Land Improvements	100,938	
Construction in Progress	392,553	
Land Improvements, Net of Accumulated Depreciation	1,393,082	
Buildings, Net of Accumulated Depreciation	9,586,139	
Infrastructure, Net of Accumulated Depreciation	9,559,029	
Machinery and Shop Equipment, Net of Accumulated Depreciation	1,624,645	
Library Books, Net of Accumulated Depreciation	1,169	
		24,296,039

Some of the City's property taxes, special assessments, and other revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 433,926

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (2,625)

Internal service funds are used by the City to charge the costs of certain activities to individual funds. The portion of assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds that are used by the governmental funds are included in governmental activities in the statement of net position. 2,131,771

The City's net pension asset and liability and related deferred outflows and inflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Asset		185,801
Net Pension Liability		(2,347,351)
Deferred Outflows of Resources - Pension Related		715,543
Deferred Inflows of Resources - Pension Related		(996,759)

The City's other postemployment liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:

Other Postemployment Benefits Liability		(366,472)
Deferred Outflows of Resources - OPEB Related		15,491
Deferred Inflows of Resources - OPEB Related		(61,042)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Bonds Payable, excluding Internal Service Funds	(477,053)	
Unamortized Cost of Refunding	1,935	
Compensated Absences Payable	(291,300)	
		(766,418)

Total Net Position of Governmental Activities \$ 40,007,158

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Capital Projects Fund	TIF #10-1 Runnings Redevelopment	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Tax Levies	\$ 2,801,331	\$ 181,100	\$ 68,464	\$ 511,338	\$ 3,562,233
Intergovernmental	2,458,414	-	-	242,991	2,701,405
Charges for Services	532,997	-	-	227,046	760,043
Fees, Licenses and Permits	146,246	-	-	-	146,246
Fines and Forfeits	43,517	-	-	1,827	45,344
Investment Earnings	222,576	265,755	-	48,458	536,789
Contributions	9,091	5,098	-	6,144	20,333
Miscellaneous	305,445	20,000	-	637,100	962,545
Total Revenues	<u>6,519,617</u>	<u>471,953</u>	<u>68,464</u>	<u>1,674,904</u>	<u>8,734,938</u>
EXPENDITURES					
Current:					
General Government	1,069,874	-	-	5,651	1,075,525
Public Safety	2,001,920	-	-	9,950	2,011,870
Highways and Streets	1,081,687	31,523	-	-	1,113,210
Culture and Recreation	1,534,584	-	-	393,112	1,927,696
Economic Development	48,141	-	362	79,656	128,159
Airport	-	-	-	384,154	384,154
Capital Outlay	431,914	482,133	-	42,337	956,384
Debt Service;					
Principal	-	-	-	382,553	382,553
Interest	-	-	24,101	22,453	46,554
Fiscal Agent Fees	-	-	-	8,610	8,610
Total Expenditures	<u>6,168,120</u>	<u>513,656</u>	<u>24,463</u>	<u>1,328,476</u>	<u>8,034,715</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	351,497	(41,703)	44,001	346,428	700,223
OTHER FINANCING SOURCES (USES)					
Transfers In	1,585,513	666,102	-	1,991,898	4,243,513
Transfers Out	(2,044,443)	(1,001,352)	-	(146,525)	(3,192,320)
Insurance Proceeds	-	-	-	100,057	100,057
Issuance of Debt	-	-	-	269,181	269,181
Total Other Financing Sources (Uses)	<u>(458,930)</u>	<u>(335,250)</u>	<u>-</u>	<u>2,214,611</u>	<u>1,420,431</u>
NET CHANGE IN FUND BALANCES	(107,433)	(376,953)	44,001	2,561,039	2,120,654
Fund Balances - Beginning of Year	<u>6,573,677</u>	<u>6,870,450</u>	<u>(814,369)</u>	<u>2,018,842</u>	<u>14,648,600</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,466,244</u>	<u>\$ 6,493,497</u>	<u>\$ (770,368)</u>	<u>\$ 4,579,881</u>	<u>\$ 16,769,254</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES — GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Total Governmental Funds \$ 2,120,654

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

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

Capital Outlays	\$	955,971	
Net Book Value of Disposed Assets		(14,624)	
Depreciation Expense		<u>(4,415,223)</u>	(3,473,876)

Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.

6,370

The governmental funds report repayment of bond principal as an expenditure, whereas in the statement of activities repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Debt Issued		(269,181)	
Repayment of Bond Principal		382,553	
Amortization of Bond Discount		<u>(484)</u>	112,888

Delinquent property taxes, special assessments, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the governmental funds. In addition, other receivables not currently collectible are also unavailable in the governmental funds.

Deferred Inflows - December 31, 2019		(605,621)	
Deferred Inflows - December 31, 2020		<u>433,926</u>	(171,695)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During the current year, compensated absence payable increased.

(12,882)

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

(8,868)

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

303,610

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

63,221

Change in Net Position of Governmental Activities

\$ (1,060,578)

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
DECEMBER 31, 2020

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
ASSETS				
Cash and Cash Equivalents	\$ 2,649,365	\$ 721,978	\$ 3,087,735	\$ 333,056
Cash and Cash Equivalents - Restricted	-	-	396,606	53,450
Accounts Receivable, Net	142,148	190,435	940,428	-
Special Assessments Receivable	2,548	3,623	6,857	-
Accrued Interest Receivable	12,800	9,390	38,560	3,120
Due from Other Funds	300	544	36,621	-
Due from Other Governmental Units	293	95	47,586	1,661
Inventories	2,830	55,643	531,062	232,035
Prepaid Items	4,460	3,261	74,487	5,279
Total Current Assets	<u>2,814,744</u>	<u>984,969</u>	<u>5,159,942</u>	<u>628,601</u>
NONCURRENT ASSETS				
Acquisition Costs, Net of Amortization	-	-	63,583	-
Capital Assets				
Land	35,524	54,538	271,256	42,900
Construction in Progress	956,042	469,932	1,443,060	-
Buildings and Improvements	11,142,730	15,182,977	20,722,595	601,262
Machinery and Equipment	2,353,473	1,725,884	3,206,560	196,334
Total Capital Assets	<u>14,487,769</u>	<u>17,433,331</u>	<u>25,643,471</u>	<u>840,496</u>
Less: Accumulated Depreciation	<u>(8,740,022)</u>	<u>(5,008,867)</u>	<u>(12,798,501)</u>	<u>(386,732)</u>
Net Capital Assets	<u>5,747,747</u>	<u>12,424,464</u>	<u>12,844,970</u>	<u>453,764</u>
Total Noncurrent Assets	<u>5,747,747</u>	<u>12,424,464</u>	<u>12,908,553</u>	<u>453,764</u>
Total Assets	8,562,491	13,409,433	18,068,495	1,082,365
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding Bonds	6,888	6,104	18,130	1,369
Pension Related	14,400	16,384	52,563	15,019
Other Postemployment Benefits Related	1,576	1,576	4,333	1,576
Deferred Outflows of Resources	<u>22,864</u>	<u>24,064</u>	<u>75,026</u>	<u>17,964</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2020**

Non-Major Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ 412,391	\$ 7,204,525	\$ 789,304
-	450,056	-
43,716	1,316,727	66,715
1,364	14,392	598
1,343	65,213	1,937
341	37,806	-
-	49,635	2,385
-	821,570	-
960	88,447	5,060
<u>460,115</u>	<u>10,048,371</u>	<u>865,999</u>
-	63,583	-
548,088	952,306	51,900
-	2,869,034	63,257
1,946,754	49,596,318	1,401,265
69,278	7,551,529	3,987,256
<u>2,564,120</u>	<u>60,969,187</u>	<u>5,503,678</u>
<u>(508,023)</u>	<u>(27,442,145)</u>	<u>(2,334,492)</u>
<u>2,056,097</u>	<u>33,527,042</u>	<u>3,169,186</u>
<u>2,056,097</u>	<u>33,590,625</u>	<u>3,169,186</u>
2,516,212	43,638,996	4,035,185
488	32,979	-
5,923	104,289	4,284
394	9,455	394
<u>6,805</u>	<u>146,723</u>	<u>4,678</u>

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2020

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
LIABILITIES				
Accounts Payable	\$ 36,873	\$ 13,823	\$ 268,750	\$ 80,553
Contracts Payable	195,633	70,758	43,338	1,048
Accrued Salaries and Fringes	7,733	8,768	25,554	10,360
Accrued Interest Payable	2,329	59,066	6,439	294
Other Accrued Liabilities	-	1,472	18,633	-
Due to Other Funds	10,991	4,696	205	1,563
Due to Other Governmental Units	-	3,997	21,088	28,004
Customer Deposits	-	-	135,406	-
Current Portion of Compensated Absences	16,909	19,033	45,215	14,845
Current Portion of Other Postemployment Benefits Liability	1,576	1,576	4,333	1,576
Current Portion of Bonds Payable	87,469	322,639	321,000	50,000
Total Current Liabilities	<u>359,513</u>	<u>505,828</u>	<u>889,961</u>	<u>188,243</u>
NONCURRENT LIABILITIES				
Compensated Absences	23,314	26,772	72,701	23,008
Other Postemployment Benefits Liability	31,662	32,677	98,691	31,075
Net Pension Liability	192,601	219,131	703,027	200,883
Bonds Payable - Long-Term	398,566	5,309,058	2,943,312	48,390
Unearned Revenue	-	-	24,322	-
Total Noncurrent Liabilities	<u>646,143</u>	<u>5,587,638</u>	<u>3,842,053</u>	<u>303,356</u>
Total Liabilities	<u>1,005,656</u>	<u>6,093,466</u>	<u>4,732,014</u>	<u>491,599</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	22,086	25,129	80,620	23,037
Other Postemployment Benefits Related	6,459	6,459	17,762	6,459
Deferred Inflows of Resources	<u>28,545</u>	<u>31,588</u>	<u>98,382</u>	<u>29,496</u>
NET POSITION				
Net Investment in Capital Assets	5,072,968	6,728,113	9,555,450	356,744
Restricted for Capital Improvements	24,107	-	-	-
Restricted for Bond Reserve Funds	-	-	396,606	53,450
Unrestricted	2,454,079	580,330	3,361,069	169,040
Total Net Position	<u>\$ 7,551,154</u>	<u>\$ 7,308,443</u>	<u>\$ 13,313,125</u>	<u>\$ 579,234</u>

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

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2020

Storm Sewer Utility	Totals	Governmental Activities <u>Internal Service Funds</u>
\$ 2,281	\$ 402,280	\$ 16,304
-	310,777	-
2,797	55,212	2,161
108	68,236	8,900
-	20,105	-
-	17,455	1,258
-	53,089	-
-	135,406	-
3,889	99,891	5,830
394	9,455	394
6,762	787,870	53,000
16,231	1,959,776	87,847
2,586	148,381	6,967
4,044	198,149	6,238
79,225	1,394,867	57,297
43,453	8,742,779	727,000
-	24,322	-
129,308	10,508,498	797,502
145,539	12,468,274	885,349
9,085	159,957	6,571
1,615	38,754	1,615
10,700	198,711	8,186
2,006,370	23,719,645	2,389,186
-	24,107	-
-	450,056	-
360,408	6,924,926	757,142
\$ 2,366,778	31,118,734	\$ 3,146,328
	1,014,557	
	\$ 32,133,291	

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION — PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
OPERATING REVENUE				
Sales	\$ -	\$ -	\$ -	\$ 2,656,817
Cost of Sales	-	-	-	(1,985,058)
Charges for Services	1,025,497	1,462,961	6,297,703	-
Miscellaneous	8,863	11,967	303,525	-
Total Operating Revenue	<u>1,034,360</u>	<u>1,474,928</u>	<u>6,601,228</u>	<u>671,759</u>
OPERATING EXPENSES				
Personal Services	326,388	364,226	1,015,109	371,712
Administration and General	197,724	126,956	228,041	37,042
Supplies, Repairs, Services and Rents	166,833	248,606	2,971,975	25,995
Depreciation and Amortization	307,198	388,979	764,169	20,683
Benefits or Claims Paid	-	-	-	-
Miscellaneous	51,082	5,690	-	53,587
Total Operating Expenses	<u>1,049,225</u>	<u>1,134,457</u>	<u>4,979,294</u>	<u>509,019</u>
OPERATING INCOME (LOSS)	<u>(14,865)</u>	<u>340,471</u>	<u>1,621,934</u>	<u>162,740</u>
OTHER INCOME (EXPENSE)				
Intergovernmental Revenues	-	1,890	1,430	4,972
Investment Earnings	98,367	26,789	164,634	13,547
Miscellaneous Revenues	3,616	14,017	69,885	1,162
Interest Expense	(22,780)	(176,067)	(98,747)	(7,385)
Gain/(Loss) on Sale of Capital Assets	-	-	-	-
Total Other Income (Expense)	<u>79,203</u>	<u>(133,371)</u>	<u>137,202</u>	<u>12,296</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>64,338</u>	<u>207,100</u>	<u>1,759,136</u>	<u>175,036</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers In	-	-	-	-
Transfers Out	(14,000)	(92,043)	(894,150)	(120,000)
Capital Contributions	686,102	262,135	-	-
Total Transfers and Capital Contributions	<u>672,102</u>	<u>170,092</u>	<u>(894,150)</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	<u>736,440</u>	<u>377,192</u>	<u>864,986</u>	<u>55,036</u>
Net Position - Beginning of Year	<u>6,814,714</u>	<u>6,931,251</u>	<u>12,448,139</u>	<u>524,198</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,551,154</u></u>	<u><u>\$ 7,308,443</u></u>	<u><u>\$ 13,313,125</u></u>	<u><u>\$ 579,234</u></u>

Adjustment to Reflect the Consolidation of Internal Service
Fund Activities Related to the Enterprise Funds
Change in Net Position of Business-Type Activities

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION — PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

Non-Major Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ -	\$ 2,656,817	\$ -
-	(1,985,058)	-
312,476	9,098,637	1,681,830
816	325,171	13,348
<u>313,292</u>	<u>10,095,567</u>	<u>1,695,178</u>
132,129	2,209,564	90,091
19,493	609,256	70,764
38,066	3,451,475	152,387
58,791	1,539,820	383,561
-	-	1,002,698
43,876	154,235	3,871
<u>292,355</u>	<u>7,964,350</u>	<u>1,703,372</u>
<u>20,937</u>	<u>2,131,217</u>	<u>(8,194)</u>
-	8,292	-
18,444	321,781	19,909
22	88,702	-
(1,346)	(306,325)	(19,487)
-	-	25,926
<u>17,120</u>	<u>112,450</u>	<u>26,348</u>
38,057	2,243,667	18,154
-	-	77,763
(8,763)	(1,128,956)	-
-	948,237	-
<u>(8,763)</u>	<u>(180,719)</u>	<u>77,763</u>
29,294	2,062,948	95,917
<u>2,337,484</u>		<u>3,050,411</u>
<u>\$ 2,366,778</u>		<u>\$ 3,146,328</u>
	<u>32,696</u>	
	<u>\$ 2,095,644</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 1,087,638	\$ 1,540,443	\$ 6,598,817	\$ 2,655,485
Cash Paid to Suppliers	(400,371)	(415,265)	(3,104,317)	(2,071,518)
Cash Paid to Employees	(330,180)	(373,177)	(1,061,121)	(371,172)
Net Cash Flows Provided by Operating Activities	357,087	752,001	2,433,379	212,795
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(14,000)	(92,043)	(894,150)	(120,000)
Transfers from Other Funds	-	-	-	-
Other Nonoperating Revenues	3,616	14,017	69,885	6,134
Unrestricted Donations and Grant Revenues	-	1,890	1,430	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(10,384)	(76,136)	(822,835)	(113,866)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(158,202)	(373,648)	(1,728,492)	(62,984)
Proceeds from Issuance of Refunding Bonds	301,291	233,313	-	-
Principal Paid on Bonds	(364,905)	(526,350)	(537,000)	(50,000)
Interest, Paying Agent Fees	(24,558)	(179,699)	(94,397)	(5,966)
Net Cash Flows Used by Capital and Related Financing Activities	(246,374)	(846,384)	(2,359,889)	(118,950)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	100,989	27,430	166,738	13,803
Net Cash Flows Provided by Investing Activities	100,989	27,430	166,738	13,803
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,318	(143,089)	(582,607)	(6,218)
Cash and Cash Equivalents - Beginning of Year	2,448,047	865,067	4,066,948	392,724
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,649,365</u>	<u>\$ 721,978</u>	<u>\$ 3,484,341</u>	<u>\$ 386,506</u>

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

Non-Major Storm Sewer Utility	Totals	Governmental Activities Internal Service Funds
\$ 312,655	\$ 12,195,038	\$ 1,628,031
(98,124)	(6,089,595)	(1,298,068)
(127,194)	(2,262,844)	(90,760)
87,337	3,842,599	239,203
(8,763)	(1,128,956)	-
-	-	77,342
44,683	138,335	-
-	3,320	-
35,920	(987,301)	77,342
(170,880)	(2,494,206)	(95,699)
50,215	584,819	780,000
(53,191)	(1,531,446)	(795,000)
(1,820)	(306,440)	(23,002)
(175,676)	(3,747,273)	(133,701)
18,717	327,677	20,868
18,717	327,677	20,868
(33,702)	(564,298)	203,712
446,093	8,218,879	585,592
<u>\$ 412,391</u>	<u>\$ 7,654,581</u>	<u>\$ 789,304</u>

See accompanying Notes to Basic Financial Statements.

CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor Store
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (14,865)	\$ 340,471	\$ 1,621,934	\$ 162,740
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	307,198	388,979	764,169	20,683
(Increase) Decrease in Assets and Deferred Outflows:				
Receivables	14,309	(2,154)	30,677	-
Due from Other Funds	200	312	1,314	-
Due from Other Governments	38,769	67,357	(38,017)	(1,661)
Inventories	(31)	(4,161)	91,947	(31,348)
Prepaid Items	224	(141)	15,568	147
Deferred Outflows of Resources - Pension	(1,894)	(1,846)	(3,982)	(1,843)
Deferred Outflows of Resources - OPEB	(103)	(103)	(282)	(103)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	12,547	(28,512)	(12,494)	55,131
Contracts Payable	-	-	-	8
Accrued Salaries and Fringes	(4,856)	(5,450)	(19,878)	247
Due to Other Funds	2,528	298	5	329
Due to Other Governments	-	(1,497)	673	6,226
Unearned Revenue	-	-	(3,961)	-
OPEB Liability	2,280	2,280	6,270	2,279
Other Accrued Liabilities	(1,279)	(1,120)	12,769	-
Customer Deposits	-	-	7,576	-
Net Pension Liability	23,851	22,960	47,484	23,085
Deferred Inflows of Resources - Pension	(20,524)	(24,405)	(84,907)	(21,858)
Deferred Inflows of Resources - OPEB	(1,267)	(1,267)	(3,486)	(1,267)
Net Cash Flows Provided by Operating Activities	<u>\$ 357,087</u>	<u>\$ 752,001</u>	<u>\$ 2,433,379</u>	<u>\$ 212,795</u>
Noncash Investing, Capital, and Financing Activities:				
Capital Assets on Account	\$ 195,633	\$ 70,758	\$ 43,338	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

<u>Non-Major</u> Storm Sewer Utility	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 20,937	\$ 2,131,217	\$ (8,194)
58,791	1,539,820	383,561
(626)	42,206	(66,336)
(11)	1,815	-
-	66,448	(811)
-	56,407	-
1,106	16,904	(155)
(1,042)	(10,607)	(397)
(26)	(617)	(26)
2,205	28,877	(65,631)
-	8	-
(58)	(29,995)	(1,239)
-	3,160	-
-	5,402	-
-	(3,961)	-
570	13,679	570
-	10,370	-
-	7,576	-
13,355	130,735	4,850
(7,547)	(159,241)	(6,672)
(317)	(7,604)	(317)
<u>\$ 87,337</u>	<u>\$ 3,842,599</u>	<u>\$ 239,203</u>
\$ -	\$ 309,729	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Redwood Falls and its component unit. A component unit is a legally separate entity for which the Primary Government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component include whether or not the Primary Government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Component Units

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

Blended Component Unit

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Other Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the Primary Government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, the governmental activities and business type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund

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

TIF #10-1 Runnings Redevelopment Fund

The TIF #10-1 Runnings Redevelopment Fund is a special revenue fund used to account for activity associated with redevelopment in TIF district 10-1.

The City reports the following proprietary funds:

Sanitary Sewer Utility Fund

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

Water Utility Fund

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

Electric Utility Fund

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Liquor Fund

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

Storm Sewer Utility Fund

The Storm Sewer Utility Fund is used to account for the operations of the storm sewer charges that are used to finance storm sewer utility expenses.

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

Internal Service Funds

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

C. Measurement Focus and Basis of Accounting

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

“Measurable” means the amount of the transaction can be determined. The City considers revenues to be “available” if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgets

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

E. Legal Compliance - Budgets

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

1. Prior to September 30, the Director of Finance and Administrative Services 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.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Legal Compliance – Budgets (Continued)

3. The Director of Finance and Administrative Services 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.

F. Cash and Investments

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

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund in the governmental fund financial statements, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund payables are eliminated for statement of net position presentation.

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

G. Cash and Investments - Restricted

At December 31, 2020, restricted cash and investments are assets set aside for a debt service reserve fund required under a bond agreement.

H. Accounts Receivable and Allowance for Uncollectible Accounts

The City has an allowance for uncollectible accounts which was \$22,000 for the General Fund, for the Sewer Fund, \$46,000 for the Electric Fund, and \$3,000 for the aggregate remaining funds at December 31, 2020.

I. Property Tax Revenue Recognition

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Tax Revenue Recognition (Continued)

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

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

J. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out method. Land held for resale is valued at cost.

K. Special Assessment Revenue Recognition

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

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Special Assessment Revenue Recognition (Continued)

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.

L. Interfund Receivables/Payables

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

M. Land Held for Resale

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

N. Capital Assets

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

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

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (Continued)

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

O. Deferred Outflows of Resources

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

P. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

Q. 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.

R. Long-Term Obligations

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Inflow of Resources

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

T. Fund Balance

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

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position

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

V. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the entity-wide statements of net position and statements of activities.

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

The City's deposits in banks at December 31, 2020 were entirely covered by federal depository insurance and collateral in accordance with Minnesota Statutes.

B. Investments

The City may also invest idle funds as authorized by Minnesota Statutes and the City's investment policy as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating; is rated in one of the two highest rating categories by a statistical rating agency; and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

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

Fair Value Measurements

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fair Value Measurements (Continued)

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

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

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

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

The following information provides disclosures related to the City’s December 31, 2020, investment balances:

Interest Rate Risk

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

Investments Held with Broker

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

<u>Type</u>	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Agencies	\$ 4,308,990	\$ -	\$ 520	\$ 1,697,518	\$ 2,610,952
Federated Gov Obligation Fund	919,703	919,703	-	-	-
Municipal Securities	14,623,666	1,036,310	867,008	7,216,741	5,503,607
Total	<u>\$ 19,852,359</u>	<u>\$ 1,956,013</u>	<u>\$ 867,528</u>	<u>\$ 8,914,259</u>	<u>\$ 8,114,559</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk

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

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

Type	Credit Quality Rating	Amount
U.S. Government Agencies	Aaa	\$ 4,308,990
Federated Gov Obligation Fund	NR	919,703
Municipal Securities	NR	3,102,015
Municipal Securities	A3	482,656
Municipal Securities	Aaa	2,787,150
Municipal Securities	Aaaa	152,180
Municipal Securities	Aa1	3,769,190
Municipal Securities	Aa2	3,939,573
Municipal Securities	Aa3	390,902
Total		<u>\$ 19,852,359</u>

*NR = Not Rated

Custodial Credit Risk

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

Concentration of Credit Risk

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

Type	Amount	Percentage
Federal Home Loan Bank	\$ 1,759,575	8.9 %
Federal Farm Credit Bank Bond	1,901,604	9.6

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fair Value Measurement

City Investments are measured as follows:

	December 31, 2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Agencies	\$ 4,159,278	\$ -	\$ 4,159,278	\$ -
U.S. Government Agencies - Mortgage Backed	149,712	-	149,712	-
Municipal Bonds	14,623,666	-	14,623,666	-
Total Investments by Fair Value Level	18,932,656	\$ -	\$ 18,932,656	\$ -
Investments Measured at Amortized Cost:				
Federated Gov Obligation Fund	919,703			
Total Investments	<u>\$ 19,852,359</u>			

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

C. Financial Statement Presentation

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

	Cash and Investments	Cash and Investments - Restricted	Total
Enterprise Funds	\$ 7,204,525	\$ 450,056	\$ 7,654,581
Governmental Funds	14,754,384	-	14,754,384
Internal Service Funds	789,304	-	789,304
Total Primary Government	<u>\$ 22,748,213</u>	<u>\$ 450,056</u>	<u>\$ 23,198,269</u>
Petty Cash and Change Fund	\$ 2,470		
Investments	19,852,359		
Deposits	3,340,440		
Total Deposits and Investments	<u>\$ 23,195,269</u>		

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities, Including Internal Service Funds					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,690,384	\$ -	\$ -	\$ -	\$ 1,690,384
Land Improvements	100,938	-	-	-	100,938
Construction in Progress	20,510	435,300	-	-	455,810
Total Capital Assets, Not Being Depreciated	1,811,832	435,300	-	-	2,247,132
Capital Assets, Being Depreciated:					
Land Improvements	1,816,303	78,433	(9,871)	160,174	2,045,039
Buildings	41,968,352	194,543	(54,729)	(122,403)	41,985,763
Infrastructure	21,283,031	48,873	(37,605)	(3,921)	21,290,378
Machinery and Shop Equipment	7,913,783	324,447	(207,349)	(33,850)	7,997,031
Office Equipment and Furniture	193,371	-	(3,390)	-	189,981
Library Books	677,362	-	-	-	677,362
Total Capital Assets, Being Depreciated	73,852,202	646,296	(312,944)	-	74,185,554
Accumulated Depreciation for					
Land Improvements:	(433,676)	(103,010)	9,871	(125,142)	(651,957)
Buildings	(27,834,360)	(3,336,184)	53,221	118,964	(30,998,359)
Infrastructure	(10,963,507)	(807,864)	36,101	3,921	(11,731,349)
Machinery and Shop Equipment	(4,363,241)	(550,374)	191,736	2,257	(4,719,622)
Office Equipment and Furniture	(193,191)	(181)	3,391	-	(189,981)
Library Books	(675,022)	(1,171)	-	-	(676,193)
Total Accumulated Depreciation	(44,462,997)	(4,798,784)	294,320	-	(48,967,461)
Total Capital Assets, Being Depreciated, Net	29,389,205	(4,152,488)	(18,624)	-	25,218,093
Governmental Activities Capital Assets, Net	<u>\$ 31,201,037</u>	<u>\$ (3,717,188)</u>	<u>\$ (18,624)</u>	<u>\$ -</u>	<u>\$ 27,465,225</u>

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities</u>	
General Government	\$ 32,041
Public Safety	70,683
Highways and Streets	1,045,963
Culture and Recreation	583,661
Airport	212,066
Community Development	2,854,370
Total Depreciation Expense, Governmental Activities	<u>\$ 4,798,784</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 952,306	\$ -	\$ -	\$ -	\$ 952,306
Construction in Progress	370,663	2,572,488	(74,117)	-	2,869,034
Total Capital Assets, Not Being Depreciated	1,322,969	2,572,488	(74,117)	-	3,821,340
Capital Assets, Being Depreciated:					
Buildings and Improvements	49,173,353	236,543	(329,636)	516,058	49,596,318
Machinery and Shop Equipment	7,830,062	431,648	(194,123)	(516,058)	7,551,529
Total Capital Assets, Being Depreciated	57,003,415	668,191	(523,759)	-	57,147,847
Accumulated Depreciation for:					
Buildings and Improvements	(20,492,788)	(1,296,113)	329,636	(440,599)	(21,899,864)
Machinery and Shop Equipment	(5,949,202)	(227,798)	194,120	440,599	(5,542,281)
Total Accumulated Depreciation	(26,441,990)	(1,523,911)	523,756	-	(27,442,145)
Total Capital Assets, Being Depreciated, Net	30,561,425	(855,720)	(3)	-	29,705,702
Business-Type Activities Capital Assets, Net	<u>\$ 31,884,394</u>	<u>\$ 1,716,768</u>	<u>\$ (74,120)</u>	<u>\$ -</u>	<u>\$ 33,527,042</u>

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

<u>Business-Type Activities</u>	
Municipal Liquor Store	\$ 20,683
Water Utility	388,979
Sewer Utility	307,197
Storm Sewer Utility	58,791
Electric Utility	748,261
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,523,911</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS

City indebtedness at December 31, 2020 is comprised of the following:

	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Payable December 31, 2020
Governmental Activities, Including Internal Service Funds					
General Obligation Equipment Certificates	9/1/2010	2/1/2021	3.25%	\$ 320,000	\$ 35,000
General Obligation Bonds:					
Refunding Bonds - Series 2014A	2/27/14	2/1/2024	.35 - 2.50%	484,042	172,872
General Obligation Bonds -Series 2020B Refunding	10/1/2020	2/1/2029	.55 - 1.3%	269,181	269,181
General Obligation Notes:					
Capital Impr Plan Note - Series 2020A Refunding	5/11/2020	2/1/2034	1.90%	780,000	780,000
Total Bonds and Notes				<u>1,853,223</u>	<u>1,257,053</u>
Unamortized Bond (Discount)/Premium				(7,860)	-
Compensated Absences Payable				N/A	304,097
Total Governmental Activities				<u>\$ 1,845,363</u>	<u>\$ 1,561,150</u>
Business-Type Activities					
General Obligation Bonds:					
Refunding Bonds, Series 2014A					
- Water Portion	2/27/2014	2/1/2024	.35 - 2.50%	\$ 818,675	\$ 292,384
Refunding Bonds, Series 2014A					
- Sewer Portion	2/27/2014	2/1/2024	.35 - 2.50%	517,283	184,744
General Obligation Bonds -Series 2020B Refunding					
- Water Portion	10/1/2020	2/1/2029	.55 - 1.3%	233,313	233,313
General Obligation Bonds -Series 2020B Refunding					
- Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	301,291	301,291
General Obligation Bonds -Series 2020B Refunding					
- Storm Sewer Portion	10/1/2020	2/1/2029	.55 - 1.3%	50,215	50,215
General Obligation Revenue Bonds:					
Liquor Store Revenue					
Bonds, Series 2011A	11/10/2011	12/01/2022	1-3.5%	490,000	100,000
Electric Revenue Refunding					
Bonds, Series 2013A	3/5/2013	12/1/2027	1 - 2.5%	2,065,000	1,035,000
Water Revenue Bonds					
Bonds, Series 2018A	10/1/2018	2/1/2034	3 - 3.25%	720,000	685,000
Electric Revenue Bonds					
Bonds, Series 2019A	11/19/2019	12/1/2031	2.35%	2,415,000	2,238,000
Notes from Direct Borrowings:					
General Obligation Water Revenue					
Bond of 2009	11/17/2009	8/20/2039	2.936%	6,526,070	4,421,000
Total Bonds				<u>14,136,847</u>	<u>9,540,947</u>
Unamortized Bond Discount				(107,447)	(10,298)
Compensated Absences Payable				N/A	248,272
Total Business-Type Activities				<u>\$ 14,029,400</u>	<u>\$ 9,778,921</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Governmental Activities:					
Bonds/Notes Payable:					
General Obligation Bonds	\$ 1,315,425	\$ 269,181	\$ 1,142,553	\$ 442,053	\$ 80,131
General Obligation Equipment Certificates	70,000	-	35,000	35,000	35,000
General Obligation Notes	-	780,000	-	780,000	53,000
Compensated Absences Payable	290,942	284,788	271,633	304,097	145,887
Unamortized Bond (Discount)/Premium	(2,419)	-	(2,419)	-	-
Total	<u>1,673,948</u>	<u>1,333,969</u>	<u>1,446,767</u>	<u>1,561,150</u>	<u>314,018</u>
Business-Type Activities:					
Bonds/Notes Payable:					
General Obligation Bonds	594,574	584,819	117,446	1,061,947	199,870
General Obligation Revenue Bonds	5,300,000	-	1,242,000	4,058,000	411,000
G.O. Notes from Direct Borrowings	4,593,000	-	172,000	4,421,000	177,000
Compensated Absences Payable	234,167	186,619	172,514	248,272	99,891
Unamortized Bond Discount	(21,497)	-	(11,199)	(10,298)	-
Total	<u>10,700,244</u>	<u>771,438</u>	<u>1,692,761</u>	<u>9,778,921</u>	<u>887,761</u>
Total Primary Government Indebtedness	<u><u>\$ 12,374,192</u></u>	<u><u>\$ 2,105,407</u></u>	<u><u>\$ 3,139,528</u></u>	<u><u>\$ 11,340,071</u></u>	<u><u>\$ 1,201,779</u></u>

The City's outstanding notes from direct borrowings related to the Water fund debt of \$4,421,000 contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy availability under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

All long-term bonded indebtedness outstanding at December 31, 2020 is backed by the full-faith and credit of the City, including special assessment bond issues.

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

CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Description and Restrictions of Long-Term Debt

General Obligation Equipment Certificates – These obligations were issued for the purpose of purchasing specific equipment items. The certificates are payable from the general resources of the City.

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

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

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

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

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

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Description and Restrictions of Long-Term Debt (Continued)

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

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

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

Year Ending December 31,	Governmental Activities					
	General Obligation Bonds		Equipment Certificates		General Obligation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 80,131	\$ 5,007	\$ 35,000	\$ 569	\$ 53,000	\$ 17,610
2022	83,982	4,255	-	-	50,000	13,338
2023	81,707	3,056	-	-	51,000	12,379
2024	78,033	1,815	-	-	52,000	11,400
2025	37,194	1,063	-	-	53,000	10,403
2026-2030	81,006	1,971	-	-	279,000	36,433
2031-2034	-	-	-	-	242,000	9,291
Total	<u>\$ 442,053</u>	<u>\$ 17,167</u>	<u>\$ 35,000</u>	<u>\$ 569</u>	<u>\$ 780,000</u>	<u>\$ 110,854</u>

Year Ending December 31,	Business-Type Activities			
	General Obligation Bonds		G.O. Notes From Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 610,870	\$ 112,089	\$ 177,000	\$ 129,801
2022	624,017	99,980	182,000	124,604
2023	577,293	86,701	188,000	119,260
2024	576,967	74,799	193,000	113,741
2025	473,806	63,700	199,000	108,074
2026-2030	1,798,994	173,789	1,086,000	449,209
2031-2035	458,000	20,172	1,254,000	280,300
2036-2039	-	-	1,142,000	85,054
Total	<u>\$ 5,119,947</u>	<u>\$ 631,230</u>	<u>\$ 4,421,000</u>	<u>\$ 1,410,043</u>

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 OPERATING LEASES

Effective September 2, 2014, the City entered into a 15-year operating lease with the County of Redwood to provide a location for the Law Enforcement Center. The lease has two additional 15-year options to extend. The total cost of the operating lease for the year ended December 31, 2020 was \$51,200. In addition to the lease payments, the City is required to pay \$33,725 annually over the initial term of the lease for construction contributions. The future minimum lease payments for the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 51,200
2022	51,200
2023	51,200
2024	51,200
2025	51,200
2026-2029	204,800
Total	<u>\$ 460,800</u>

NOTE 6 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

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

1. General Employees Plan Benefits

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

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

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

C. Contributions

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

1. General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020 were \$265,431. The contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of their annual covered salary to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$152,265. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employee Fund Pension Costs

At December 31, 2020, the City reported a liability of \$2,847,842 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$87,701. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0475% at the end of the measurement period and .0492% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$	2,847,842
State of Minnesota's Proportionate Share of the Net Pension Liability with the City		87,701
Total		\$ 2,935,543

For the year ended December 31, 2020, the City recognized pension expense of \$17,397 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$7,633 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2020, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 25,965	\$ 10,775
Changes in Actuarial Assumptions	-	105,581
Net Difference Between Projected and Actual on Pension Plan Investments	49,199	-
Changes in Proportion	-	210,222
City Contributions Subsequent to the Measurement	137,759	-
Total	\$ 212,923	\$ 326,578

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Fund Pension Costs (Continued)

\$137,759 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>
2021	\$ (256,880)
2022	(90,409)
2023	27,070
2024	68,805

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$951,673 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0722% at the end of the measurement period and 0.0770% percent for the beginning of the period.

The State of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$6,498 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's Proportionate Share of the Net Pension Liability	\$ 951,673
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	<u>22,419</u>
Total	<u><u>\$ 974,092</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$97,370 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$6,898 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 42,050	\$ 45,194
Changes in Actuarial Assumptions	318,925	593,525
Net Difference Between Projected and Actual on Pension Plan Investments	28,907	-
Changes in Proportion	98,796	138,633
City Contributions Subsequent to the Measurement Date	<u>83,389</u>	<u>-</u>
Total	<u><u>\$ 572,067</u></u>	<u><u>\$ 777,352</u></u>

\$83,389 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>
2021	\$ (82,415)
2022	(280,688)
2023	35,739
2024	51,741
Thereafter	(13,051)

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Summary

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

	General Employees Fund	Police and Fire Fund	Fire Relief	Total
Net Pension Liability	\$ 2,847,842	\$ 951,673	\$ -	\$ 3,799,515
Net Pension Asset	-	-	185,801	185,801
Deferred Outflows of Resources	212,923	572,067	39,126	824,116
Deferred Inflows of Resources	326,578	777,352	59,357	1,163,287
Pension Expense	25,030	104,268	4,651	133,949

E. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2020, was \$133,949, which includes \$4,651 for the volunteer firefighters relief association (additional information in Note 13).

F. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund	Police & Fire Fund
Inflation	2.25% per Year	2.5% per Year
Salary Increases	3.25% per Year	3.25% per Year
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan are based on the General Employees Retirement Plan experience study completed in 2019.

The most recent four-year experience studies for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employee Fund

Changes in actuarial assumption:

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

General Employee Fund (Continued)

Changes in Plan Provisions:

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

Police and Fire Plan

Changes in actuarial assumption:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5 %	5.1 %
International Equity	25.0	5.3
Bonds	20.0	0.75
Alternative Assets	17.5	5.9
Cash	2.0	-
Total	<u>100.0 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (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 1% point lower or 1% point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's Proportionate Share of the General Employee Net Pension Liability	\$ 4,564,103	\$ 2,847,842	\$ 1,432,065
City's Proportionate Share of the Police and Fire Net Pension Liability	1,896,822	951,673	169,728

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.

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The City operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. There are 64 active participants and 2 retired participants as of January 1, 2020. There are no inactive plan members entitled to but not receiving benefits.

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

B. Funding Policy

The City has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the City and union representatives. Qualified employees may choose to participate in the City's insurance plan after retirement, with no contribution from the City. The City provides these benefits to retirees as required by Minnesota Statutes §471.61 subdivision 2b. The City is funding this liability on a pay-as-you-go basis. For the year ended 2020, the City contributed \$25,340 to the plan.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2020, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	3.8%
Health Care Trend Rates	6.25% Decreasing to 5.00% Over 5 Years

Mortality rates were based on the RP-2014 white collar mortality tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

The actuarial assumptions used in the January 1, 2019 valuation were based on the Public Employees Retirement Association of Minnesota actuarial experience studies. The most recent six-year experience study for the General Employees plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. The discount rate used to measure the total OPEB liability was 3.8%. The discount rate is equal to the 20-Year AA rated Municipal Bond Yield.

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

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in Total OPEB Liability

Balance as of January 1, 2020	\$	544,231
Changes for the Year:		
Service Cost		38,477
Interest		21,697
Benefit Payments		<u>(23,697)</u>
Net Change in Total OPEB Liability		<u>36,477</u>
Balance as of December 31, 2020	<u>\$</u>	<u>580,708</u>

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

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 625,797	\$ 580,708	\$ 538,482

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower (5.25% decreasing to 4.00% over six years) or 1% higher (7.25% decreasing to 6.00% over six years) than the current health care cost trend rates:

	1% Decrease (5.25% Decrease to 4.00%)	Current Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Medical Trend Rate			
Total OPEB Liability	\$ 515,488	\$ 580,708	\$ 657,612

For the year ended December 31, 2020, the City recognized OPEB expense of \$39,891.

At December 31, 2020, the City reported deferred outflows and deferred inflows of resources, from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Liability	\$ -	\$ 86,843
Changes in Actuarial Assumptions	-	14,568
City Contributions Subsequent to the Measurement Date	<u>25,340</u>	<u>-</u>
Total	<u>\$ 25,340</u>	<u>\$ 101,411</u>

**CITY OF REDWOOD FALLS, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in Total OPEB Liability (Continued)

\$25,340 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021.

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

<u>Year Ending December 31,</u>	<u>OPEB Amount</u>
2021	\$ (20,283)
2022	(20,283)
2023	(20,283)
2024	(20,283)
2025	(20,279)

NOTE 8 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

The City has deficit fund balances at December 31, 2020 in the following funds:

	<u>Fund Balance (Deficit)</u>
Airport Capital Project Fund	\$ (91,259)
TIF #10-1 Runnings Redevelopment	(770,368)
Community Center Bonds	(1,486)
Ponderosa Business Park Bonds	(371)

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

Excess of Expenditures over Appropriations

Expenditures exceeded budget in the following fund:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
TIF #10-1 Runnings Redevelopment	\$ 2,080	\$ 24,463	\$ 22,383

The over expenditures were funded by tax increment revenues collected in the current year.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 INTERFUND

Due To/Due From

Individual fund receivable and payable balances at December 31, 2020 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 2,117	\$ 17,031
Capital Projects Fund	81,003	-
Nonmajor Governmental Funds		
Special Revenue Funds:		
Library	-	1,022
Airport	-	1,040
Capital Project Fund:		
Airport	-	81,003
Debt Service Fund:		
Community Center Bonds	-	2,117
Enterprise Funds:		
Sewer Utility	300	10,991
Water Utility	544	4,696
Electric Utility	36,621	205
Municipal Liquor Store	-	1,563
Storm Sewer Utility	341	-
Internal Service Fund		
Central Garage	-	1,258
Total	<u>\$ 120,926</u>	<u>\$ 120,926</u>

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

Advances

Advances at December 31, 2020 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 770,368	\$ -
TIF #10-1 Runnings Redevelopment Fund	-	770,368
Total	<u>\$ 770,368</u>	<u>\$ 770,368</u>

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 INTERFUND (CONTINUED)

Transfers

Individual fund transfers for fiscal year 2020 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,585,513	\$ (2,044,443)
Capital Projects Fund	666,102	(1,001,352)
Nonmajor Governmental Funds		
Special Revenue Funds:		
Airport	44,900	(32,900)
Fire Equipment Replacement	-	(53,124)
Port Authority	1,851,341	(60,501)
Debt Service Funds:		
Ponderosa Business Park Bonds	60,501	-
Capital Projects Funds:		
Airport Projects Fund	35,156	-
Enterprise Funds:		
Sewer Utility	-	(14,000)
Water Utility	-	(92,043)
Electric Utility	-	(894,150)
Municipal Liquor Store	-	(120,000)
Storm Sewer Utility	-	(8,763)
Internal Service Funds		
Central Garage	77,763	-
Total	<u>\$ 4,321,276</u>	<u>\$ (4,321,276)</u>

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

NOTE 10 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the City made purchases of services and supplies from one related party business owned by a Council member totaling \$98.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11 COMMITMENTS AND CONTINGENCIES

Construction Commitments – As of December 31, 2020, the City had active construction projects related to a variety of projects including various reconstructions of streets and power plant relay replacement. Total remaining commitments under these contracts were \$1,522,037 at December 31, 2020.

Federal and State Funds – The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers' compensation, the City is not subject to a deductible. The City's workers' compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusions from the insurance policies. These amounts are considered immaterial to the financial statements.

The City self-insures for a portion of the deductible related to its employee group health plan. This activity is accounted for in the Internal Service Insurance Fund. The City does not retain any risk of loss beyond the self-insured portion of the deductible. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid. The City recorded total expenses of \$1,002,698 for the year ended December 31, 2020.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12 RISK MANAGEMENT (CONTINUED)

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

Beginning of the Year Liability, January 1, 2020	\$ 4,170	Beginning of the Year Liability, January 1, 2019	\$ 6,359
Incurred Claims	997,722	Incurred Claims	945,212
Claims Paid	<u>(994,969)</u>	Claims Paid	<u>(947,401)</u>
End of the Year Liability, December 31, 2020	<u>\$ 6,923</u>	End of the Year Liability, December 31, 2019	<u>\$ 4,170</u>

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

A. Plan Description

Firefighters of the City of Redwood Falls are members of the Redwood Falls Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2020, membership includes 29 active participants and 2 terminated employees entitled to benefits but not yet receiving them. The plan issues a stand-alone financial statement.

B. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump-sum service pension in the amount of \$3,100 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

B. Benefits Provided (Continued)

If a member of the Volunteer Firefighters Relief Association (Association) shall become permanently or totally disabled, the Association shall pay the sum \$3,100 for each year the member was an active member of the City of Redwood Falls Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

C. Contributions

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

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

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$47,968 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2020 was \$25,222.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs

At December 31, 2020, the City reported an asset of \$185,801 for the Association's net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$4,651 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 13,666
Changes in Actuarial Assumptions	6,126	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	45,691
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	-
City Contributions Subsequent to the Measurement Date	33,000	-
Total	<u>\$ 39,126</u>	<u>\$ 59,357</u>

\$33,000 reported as deferred outflows of resources relating to pensions resulting from City contributions subsequent to the measurement date will be recognized as an addition to the pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (9,961)
2022	(8,368)
2023	(5,044)
2024	(25,189)
Thereafter	(4,669)

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumption

The actuarial total pension liability was determined as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/19
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	3.50%
Age of Service Retirement	50

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of January 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at January 1, 2020</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	12.0 %	2.25 %
Fixed Income	28.0	3.80
Equities	59.0	7.30
Real Estate	1.0	6.00
Total Portfolio	100.0 %	5.75 %

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 13 VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION (CONTINUED)

G. Pension Asset Sensitivity

The following presents the City of Redwood Fall's proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.75%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current rate:

	1 Percent Decrease	Discount Rate	1 Percent Increase
Net Pension Liability (Asset)	\$ (166,082)	\$ (185,801)	\$ (205,016)
Discount Rate	4.75 %	5.75 %	6.75 %

H. Plan's Fiduciary Net Position

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

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

	December 31, 2019 Measurement Date
Total Pension Liability	
Service Cost	\$ 42,132
Interest	51,920
Benefit Payments	(64,291)
Net Change in Total Pension Liability	29,761
Total Pension Liability - Beginning of Year	892,975
Total Pension Liability - End of Year (a)	922,736
Plan Fiduciary Net Position	
Nonemployer Contributions	47,109
Net Investment Income	54,089
Gain or Loss	122,354
Benefit Payments	(64,291)
Net Change in Fiduciary Net Position	159,261
Fiduciary Net Position - Beginning of Year	949,276
Fiduciary Net Position - End of Year (b)	1,108,537
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	\$ (185,801)

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 14 CONDUIT DEBT OBLIGATIONS

The City has issued housing revenue notes for the purpose of providing capital financing to a private enterprise. Even though the debt bears the City’s name, the City is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by the private enterprise under the terms of the agreement between the City and the enterprise. The general description of the transaction and the outstanding balance at December 31, 2020, is as follows:

Enterprise	Purpose	Balance at December 31, 2020
Garnette Gardens	Construction of a Facility	\$ 6,278,834
Country Village	Construction of a Facility	664,019

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

Other

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

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

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

NOTE 16 SUMMARY OF OTHER ITEMS

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The City estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the City. No liability or provision for loss has been recorded in the December 31, 2020 financial statements in relation to these matters.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 17 TAX ABATEMENTS

The City has a pay-as-you-go tax increment financing district with a local business to promote economic development within the City as authorized under Minnesota Statutes §469.174. The City is currently collecting tax increments that are paid through the property tax collection process. The district will stop collection in 2024. The requirement for the business to receive the excess tax increments from the City was to construct a 30,000 square foot addition to the existing manufacturing facility. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2020, the City paid excess tax increment in the amount of \$1,276. No other commitments were made by the City as a part of this agreement. The district was decertified on December 28, 2020.

The City established a municipal redevelopment district in 2014 as authorized under Minnesota Statutes §§ 469.124 through 469.134. The Redevelopment TIF District permits the City to assist virtually any type of development or redevelopment project within the boundaries of the TIF District, as long as assistance aids in the removal of blighting conditions. The District has a maximum life of 25 years from the receipt of the first tax increment; that is, 26 TIF collections. The TIF revenues are paid to the City through the property tax collection process. Ninety percent (90%) of the tax increments generated from the TIF District must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. For the year ended December 31, 2020, the City paid excess tax increment in the amount of \$68,464. No other commitments were made by the City as a part of this agreement.

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with three entities as of December 31, 2020. Each agreement is negotiated under Minnesota Statutes sections 469.1812 through 469.1815. Under the statutes, the City may grant property tax abatements for the purpose of attracting and retaining business. The City abated taxes totaling \$46,309 for the year ending December 31, 2020.

- The City's share of the real property taxes generated from a Housing Project for a term of 8 years. The abatement amounted to \$40,182.
- The City's share of the property tax generated by an assisted living facility for a term of 15 years to end in 2020. The abatement amounted to \$-0-.
- The City's share of the property tax generated by the expansion of an assisted living facility for a term of 15 years. The abatement amounted to \$6,127.

As of December 31, 2020, the City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governments.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 18 SUBSEQUENT EVENTS

On May 3, 2021, the City issued a \$2,860,000 General Obligation Bond, Series 2021A with a net interest rate of 1.4844%. The first payment is due February 1, 2022. The proceeds will provide for the purchase of a fire truck, sewer linings and the North Redwood Watermain.

On March 11, 2021, the City was allocated an estimated \$565,186 in additional federal grants from the American Rescue Plan Act of 2021. Subsequent to this initial estimate, Redwood County revised the amount of allocation to the City to be \$521,115 based on updated population information.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Note 2: No assets are accumulated in a trust.

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

	Measurement Date <u>June 30, 2020</u>	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
City - General Employee Plan						
City's Proportion of the Net Pension Liability	0.0475%	0.0492%	0.0531%	0.0536%	0.0536%	0.0534%
City's Proportionate Share of the Net Pension Liability	\$ 2,847,842	\$ 2,720,158	\$ 2,945,770	\$ 3,421,789	\$ 4,352,054	\$ 2,767,466
State's Proportionate Share of the Net Pension Liability Associated with the City	87,701	84,496	96,729	43,005	56,839	-
City's Total Net Pension Liability - General Employee Plan	<u>2,935,543</u>	<u>2,804,654</u>	<u>3,042,499</u>	<u>3,464,794</u>	<u>4,408,893</u>	<u>2,767,466</u>
City's Covered Payroll	3,385,893	3,480,782	3,576,608	3,455,396	3,329,013	3,140,523
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	84.11%	78.15%	82.36%	99.03%	130.73%	88.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	79.50%	75.90%	68.90%	78.20%
City - Police and Fire Plan						
City's Proportion of the Net Pension Liability	0.0722%	0.0770%	0.0687%	0.0740%	0.0780%	0.0770%
City's Proportionate Share of the Net Pension Liability	\$ 951,673	\$ 819,742	\$ 732,271	\$ 999,088	\$ 3,130,276	\$ 874,900
State's Proportionate Share of the Net Pension Liability Associated with the City	22,419	-	-	-	-	-
City's Total Net Pension Liability - General Employee Plan	<u>974,092</u>	<u>819,742</u>	<u>732,271</u>	<u>999,088</u>	<u>3,130,276</u>	<u>874,900</u>
City's Covered Payroll	815,918	812,177	724,646	761,498	748,809	702,076
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	116.64%	100.93%	101.05%	131.20%	418.03%	124.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.30%	88.80%	85.43%	63.90%	86.60%

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

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

	2020	2019	2018	2017	2016	2015	2014
City - General Employee Plan							
Statutorily Required Contribution	\$ 265,431	\$ 256,110	\$ 265,811	\$ 265,404	\$ 254,391	\$ 242,627	\$ 224,719
Contributions in Relation to the Statutorily Required Contribution	(265,431)	(256,110)	(265,811)	(265,404)	(254,391)	(242,627)	(224,719)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,539,080	\$ 3,414,800	\$ 3,544,147	\$ 3,538,720	\$ 3,391,880	\$ 3,215,297	\$ 3,099,577
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.55%	7.25%
Police and Fire Plan							
Statutorily Required Contribution	\$ 152,265	\$ 140,334	\$ 122,905	\$ 122,382	\$ 122,796	\$ 117,065	\$ 106,258
Contributions in Relation to the Statutorily Required Contribution	(152,265)	(140,334)	(122,905)	(122,382)	(122,796)	(117,065)	(106,258)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 860,254	\$ 866,259	\$ 758,673	\$ 755,444	\$ 758,000	\$ 716,591	\$ 694,499
Contributions as a Percentage of Covered Payroll	17.70%	16.20%	16.20%	16.20%	16.20%	16.34%	15.30%
Fire Relief Association							
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,081	\$ 23,580
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	-	(2,081)	(23,580)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See accompanying Notes to Required Supplementary Information.

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

	December 31, 2019 Measurement Date	December 31, 2018 Measurement Date	December 31, 2017 Measurement Date	December 31, 2016 Measurement Date	December 31, 2015 Measurement Date	December 31, 2014 Measurement Date
Total Pension Liability						
Service Cost	\$ 42,132	\$ 41,904	\$ 39,825	\$ 38,783	\$ 39,490	\$ 36,260
Interest	51,920	47,341	42,204	42,899	43,103	47,121
Changes of Benefit Terms	-	38,476	14,361	10,210	11,786	-
Benefit Payments, Including Member Contribution Refunds	(64,291)	-	(18,250)	(69,977)	(202,897)	-
Gain or Loss	-	(16,170)	-	(1,217)	-	-
Net Change in Total Pension Liability	29,761	111,551	78,140	20,698	(108,518)	83,381
Total Pension Liability - Beginning of Year	892,975	781,424	703,284	682,586	791,104	707,723
Total Pension Liability - End of Year (a)	922,736	892,975	781,424	703,284	682,586	791,104
Plan Fiduciary Net Position						
Municipal Contributions	-	-	-	-	2,081	23,580
Nonemployer Contributions	47,109	45,894	46,851	47,601	50,827	46,418
Net Investment Income	54,089	(44,878)	66,497	58,342	(6,135)	59,490
Gain or Loss	122,354	-	-	-	-	-
Benefit Payments	(64,291)	-	(18,250)	(69,977)	(202,897)	-
Net Change in Fiduciary Net Position	159,261	1,016	95,098	35,966	(156,124)	129,488
Fiduciary Net Position - Beginning of Year	949,276	948,260	853,162	817,196	973,320	843,832
Fiduciary Net Position - End of Year (b)	1,108,537	949,276	948,260	853,162	817,196	973,320
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	\$ (185,801)	\$ (56,301)	\$ (166,836)	\$ (149,878)	\$ (134,610)	\$ (182,216)
Fiduciary Net Position as a Percentage of the Total Pension Liability	120.14%	106.30%	121.35%	121.31%	119.72%	123.03%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

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

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES				
Taxes:				
Current and Delinquent Property Tax	\$ 2,597,978	\$ 2,597,978	\$ 2,608,375	\$ 10,397
Franchise Tax	165,600	165,600	164,423	(1,177)
Hotel/Motel Tax	35,000	35,000	28,533	(6,467)
Total Taxes	<u>2,798,578</u>	<u>2,798,578</u>	<u>2,801,331</u>	<u>2,753</u>
Intergovernmental:				
Local Government Aid	1,642,960	1,642,960	1,646,797	3,837
General Government	-	-	313,398	313,398
Public Safety	146,600	146,600	225,266	78,666
Culture and Recreation	-	-	23,548	23,548
Highway	85,000	85,000	249,405	164,405
Total Intergovernmental	<u>1,874,560</u>	<u>1,874,560</u>	<u>2,458,414</u>	<u>583,854</u>
Charges for Services:				
Fire Protection	60,000	60,000	60,535	535
Swimming Pool Fees and Concessions	151,000	151,000	77,780	(73,220)
Park Fees	55,000	55,000	58,463	3,463
Administration Fees	1,000	1,000	550	(450)
Miscellaneous General Government Charges for Service	20,421	20,421	20,403	(18)
Recreation Fees	95,600	95,600	40,812	(54,788)
Community Center	465,350	465,350	274,454	(190,896)
Total Charges for Services	<u>848,371</u>	<u>848,371</u>	<u>532,997</u>	<u>(315,374)</u>
Fees, Licenses, and Permits				
Business	37,475	37,475	60,247	22,772
Nonbusiness	43,000	43,000	85,999	42,999
Total Fees, Licenses, and Permits	<u>80,475</u>	<u>80,475</u>	<u>146,246</u>	<u>65,771</u>
Fines and Forfeits	39,500	39,500	43,517	4,017
Investment Earnings	83,180	83,180	222,576	139,396
Contributions	6,500	6,500	9,091	2,591
Miscellaneous	<u>258,826</u>	<u>258,826</u>	<u>305,445</u>	<u>46,619</u>
Total Revenues	<u>5,989,990</u>	<u>5,989,990</u>	<u>6,519,617</u>	<u>529,627</u>

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES				
General Government				
Mayor and Council				
Current:				
Personal Services	\$ 32,083	\$ 32,083	\$ 32,512	\$ 429
Materials and Supplies	400	400	34	(366)
Other Services and Charges	1,540	1,540	710	(830)
Total Mayor and Council	<u>34,023</u>	<u>34,023</u>	<u>33,256</u>	<u>(767)</u>
City Administration				
Current:				
Personal Services	161,559	161,559	161,125	(434)
Materials and Supplies	5,500	5,500	3,567	(1,933)
Other Services and Charges	55,575	55,575	46,239	(9,336)
Total City Administration	<u>222,634</u>	<u>222,634</u>	<u>210,931</u>	<u>(11,703)</u>
Elections				
Current:				
Personal Services	7,410	7,410	4,005	(3,405)
Materials and Supplies	900	900	1,947	1,047
Other Services and Charges	234	234	159	(75)
Total Elections	<u>8,544</u>	<u>8,544</u>	<u>6,111</u>	<u>(2,433)</u>
Finance Department				
Current:				
Personal Services	317,169	317,169	308,407	(8,762)
Materials and Supplies	9,000	9,000	11,484	2,484
Other Services and Charges	119,370	119,370	109,743	(9,627)
Total Finance Department	<u>445,539</u>	<u>445,539</u>	<u>429,634</u>	<u>(15,905)</u>
Management Information Systems				
Current:				
Materials and Supplies	24,495	24,495	72,631	48,136
Other Services and Charges	191,633	191,633	193,538	1,905
Capital Outlay	130,000	130,000	207,843	77,843
Total Management Information Systems	<u>346,128</u>	<u>346,128</u>	<u>474,012</u>	<u>127,884</u>
Legal				
Current:				
Personal Services	122,412	122,412	95,340	(27,072)
Materials and Supplies	500	500	2,440	1,940
Other Services and Charges	10,184	10,184	14,298	4,114
Total Legal	<u>133,096</u>	<u>133,096</u>	<u>112,078</u>	<u>(21,018)</u>

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Buildings and Grounds				
Current:				
Personal Services	\$ 15,687	\$ 15,687	\$ 11,355	\$ (4,332)
Materials and Supplies	2,500	2,500	51	(2,449)
Other Services and Charges	15	15	289	274
Capital Outlay	-	-	46,643	46,643
Total Buildings and Grounds	<u>18,202</u>	<u>18,202</u>	<u>58,338</u>	<u>40,136</u>
Total General Government	1,208,166	1,208,166	1,324,360	116,194
Public Safety				
Police				
Current:				
Personal Services	1,443,200	1,443,200	1,352,026	(91,174)
Materials and Supplies	44,940	44,940	78,388	33,448
Other Services and Charges	247,675	247,675	242,004	(5,671)
Total Police	<u>1,735,815</u>	<u>1,735,815</u>	<u>1,672,418</u>	<u>(63,397)</u>
Fire Department				
Current:				
Personal Services	61,148	61,148	57,082	(4,066)
Materials and Supplies	20,200	20,200	23,234	3,034
Other Services and Charges	139,795	139,795	148,888	9,093
Capital Outlay	-	-	53,345	53,345
Total Fire Department	<u>221,143</u>	<u>221,143</u>	<u>282,549</u>	<u>61,406</u>
Protective Inspections				
Current:				
Personal Services	89,571	89,571	88,599	(972)
Materials and Supplies	900	900	121	(779)
Other Services and Charges	11,542	11,542	11,578	36
Total Protective Inspections	<u>102,013</u>	<u>102,013</u>	<u>100,298</u>	<u>(1,715)</u>
Total Public Safety	<u>2,058,971</u>	<u>2,058,971</u>	<u>2,055,265</u>	<u>(3,706)</u>

See accompanying Notes to Required Supplementary Information.

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
Highways and Streets				
Public Works Project Coordinator				
Current:				
Personal Services	\$ 31,075	\$ 31,075	\$ 36,442	\$ 5,367
Materials and Supplies	900	900	375	(525)
Other Services and Charges	5,344	5,344	5,051	(293)
Total Public Works Project Coordinator	<u>37,319</u>	<u>37,319</u>	<u>41,868</u>	<u>4,549</u>
Streets and Alleys				
Current:				
Personal Services	319,367	319,367	318,502	(865)
Materials and Supplies	171,500	171,500	163,742	(7,758)
Other Services and Charges	539,927	539,927	557,575	17,648
Capital Outlay	-	-	48,873	48,873
Total Streets and Alleys	<u>1,030,794</u>	<u>1,030,794</u>	<u>1,088,692</u>	<u>57,898</u>
Total Highways and Streets	<u>1,068,113</u>	<u>1,068,113</u>	<u>1,130,560</u>	<u>62,447</u>
Culture and Recreation				
Senior Citizens Center				
Current:				
Other Services and Charges	5,550	5,550	2,968	(2,582)
Parks & Recreation				
Current:				
Personal Services	898,744	898,744	817,306	(81,438)
Materials and Supplies	111,950	111,950	66,998	(44,952)
Other Services and Charges	608,018	608,018	507,140	(100,878)
Capital Outlay	110,000	110,000	75,210	(34,790)
Total Parks & Recreation	<u>1,728,712</u>	<u>1,728,712</u>	<u>1,466,654</u>	<u>(262,058)</u>
Pool				
Current:				
Personal Services	137,633	137,633	79,031	(58,602)
Materials and Supplies	41,300	41,300	22,340	(18,960)
Other Services and Charges	59,300	59,300	38,801	(20,499)
Total Pool	<u>238,233</u>	<u>238,233</u>	<u>140,172</u>	<u>(98,061)</u>
Total Culture and Recreation	<u>1,972,495</u>	<u>1,972,495</u>	<u>1,609,794</u>	<u>(362,701)</u>
Economic Development				
Current:				
Other Services and Charges	74,763	74,763	48,141	(26,622)
Total Expenditures	<u>6,382,508</u>	<u>6,382,508</u>	<u>6,168,120</u>	<u>(214,388)</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES OVER (UNDER) EXPENDITURES	\$ (392,518)	\$ (392,518)	\$ 351,497	\$ 744,015
OTHER FINANCING SOURCES (USES)				
Transfers In	568,593	568,593	1,585,513	1,016,920
Transfers Out	(35,000)	(35,000)	(2,044,443)	(2,009,443)
Total Other Financing Sources (Uses)	<u>533,593</u>	<u>533,593</u>	<u>(458,930)</u>	<u>(992,523)</u>
CHANGE IN FUND BALANCE	<u>\$ 141,075</u>	<u>\$ 141,075</u>	<u>\$ (107,433)</u>	<u>\$ (248,508)</u>
Fund Balance - Beginning of Year			<u>6,573,677</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,466,244</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF REDWOOD FALLS, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE — BUDGET AND ACTUAL — TIF #10-1 RUNNINGS DEVELOPMENT FUND
 YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES				
Local Tax Levies	\$ 69,350	\$ 69,350	\$ 68,464	\$ (886)
EXPENDITURES				
Current				
Economic Development	2,080	2,080	362	(1,718)
Debt Service				
Interest	-	-	24,101	24,101
Total Expenditures	2,080	2,080	24,463	22,383
CHANGE IN FUND BALANCE	\$ 67,270	\$ 67,270	44,001	\$ (23,269)
Fund Balance (Deficit) - Beginning of Year			(814,369)	
FUND BALANCE (DEFICIT) - END OF YEAR			\$ (770,368)	

**CITY OF REDWOOD FALLS, MINNESOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2020**

NOTE 1 BUDGETS

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

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

1. Prior to September 30, the Director of Finance and Administrative Services 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 Director of Finance and Administrative Services is authorized to transfer budgeted amounts within any department budget; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.

Excess of Expenditures over Appropriations

Expenditures exceeded budget in the following fund:

	Appropriations	Expenditures	Excess
TIF #10-1 Runnings Redevelopment	\$ 2,080	\$ 24,463	\$ 22,383

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

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

A. General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

A. General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

A. General Employees Fund (Continued)

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

A. General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

B. Police and Fire Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

B. Police and Fire Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

B. Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF REDWOOD FALLS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

2020 Changes:

Changes in Actuarial Assumptions

- None

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

COMBINING FUND FINANCIAL STATEMENTS

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue			
	Library	Airport	Fire Equipment Replacement	Port Authority
ASSETS				
Cash and Investments	\$ 351,312	\$ 7,553	\$ 192,369	\$ 319,205
Accounts Receivable, Net	5,208	317	-	-
Property Taxes Receivable	16,727	-	-	2,287
Accrued Interest Receivable	1,445	-	717	4,752
Due from Other Governments	6,404	47,865	22,418	647
Prepaid Items	2,937	5,108	-	1,278
Property Held for Resale	-	-	-	1,920,892
Notes Receivable	-	-	-	-
Inventory	-	40,169	-	-
Total Assets	<u>\$ 384,033</u>	<u>\$ 101,012</u>	<u>\$ 215,504</u>	<u>\$ 2,249,061</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 6,338	\$ 18,801	\$ -	\$ -
Contracts Payable	1,290	-	-	-
Accrued Salaries and Fringes	5,928	1,620	-	1,046
Due to Other Funds	1,022	1,040	-	-
Unearned Revenue	800	6,072	72,264	-
Total Liabilities	<u>15,378</u>	<u>27,533</u>	<u>72,264</u>	<u>1,046</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Collected for a Subsequent Period	1,990	-	-	291
Unavailable Revenue - Taxes	11,924	-	-	1,619
Unavailable Revenue - Loans	-	-	-	-
Unavailable Revenue - Grants and Other	1,815	-	-	-
Total Deferred Inflows of Resources	<u>15,729</u>	<u>-</u>	<u>-</u>	<u>1,910</u>
FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaid Items	2,937	5,108	-	1,278
Inventory	-	40,169	-	-
Restricted For:				
Library	349,989	-	-	-
Port Authority	-	-	-	2,244,827
Revolving Loans	-	-	-	-
Committed	-	28,202	143,240	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	<u>352,926</u>	<u>73,479</u>	<u>143,240</u>	<u>2,246,105</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 384,033</u>	<u>\$ 101,012</u>	<u>\$ 215,504</u>	<u>\$ 2,249,061</u>

**CITY OF REDWOOD FALLS, MINNESOTA
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 DECEMBER 31, 2020**

Special Revenue (Continued)

Revolving Loan	Downtown Loan Program	TIF #9-1 Daktronics Expansion	Hospital Building	Special Revenue Subtotal
\$ 638,849	\$ 31,879	\$ 856	\$ 1,182,921	\$ 2,724,944
-	-	-	-	5,525
-	-	-	-	19,014
3,951	251	-	-	11,116
-	-	-	-	77,334
-	-	-	10	9,333
-	-	-	-	1,920,892
2,240	26,682	-	-	28,922
-	-	-	-	40,169
<u>\$ 645,040</u>	<u>\$ 58,812</u>	<u>\$ 856</u>	<u>\$ 1,182,931</u>	<u>\$ 4,837,249</u>
-	-	-	1,470	26,609
-	-	-	-	1,290
-	-	-	-	8,594
-	-	-	-	2,062
-	-	-	-	79,136
-	-	-	1,470	117,691
-	-	-	-	2,281
-	-	-	-	13,543
2,240	26,682	-	-	28,922
-	-	-	-	1,815
<u>2,240</u>	<u>26,682</u>	<u>-</u>	<u>-</u>	<u>46,561</u>
-	-	-	10	9,333
-	-	-	-	40,169
-	-	-	-	349,989
-	-	-	-	2,244,827
642,800	32,130	-	-	674,930
-	-	856	1,181,451	1,353,749
-	-	-	-	-
<u>642,800</u>	<u>32,130</u>	<u>856</u>	<u>1,181,461</u>	<u>4,672,997</u>
<u>\$ 645,040</u>	<u>\$ 58,812</u>	<u>\$ 856</u>	<u>\$ 1,182,931</u>	<u>\$ 4,837,249</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2020**

ASSETS	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Subtotal
Cash and Investments	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-
Property Taxes Receivable	2,317	-	2,317
Accrued Interest Receivable	-	-	-
Due from Other Governments	254	-	254
Prepaid Items	11	-	11
Property Held for Resale	-	-	-
Notes Receivable	-	-	-
Inventory	-	-	-
Total Assets	\$ 2,582	\$ -	\$ 2,582
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 371	\$ 371
Contracts Payable	-	-	-
Accrued Salaries and Fringes	-	-	-
Due to Other Funds	2,117	-	2,117
Unearned Revenue	-	-	-
Total Liabilities	2,117	371	2,488
DEFERRED INFLOWS OF RESOURCES			
Taxes Collected for a Subsequent Period	254	-	254
Unavailable Revenue - Taxes	1,697	-	1,697
Unavailable Revenue - Loans	-	-	-
Unavailable Revenue - Grants	-	-	-
Total Deferred Inflows of Resources	1,951	-	1,951
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid Items	11	-	11
Inventory	-	-	-
Restricted For:			
Library	-	-	-
Port Authority	-	-	-
Revolving Loans	-	-	-
Committed	-	-	-
Unassigned	(1,497)	(371)	(1,868)
Total Fund Balances (Deficit)	(1,486)	(371)	(1,857)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,582	\$ -	\$ 2,582

**CITY OF REDWOOD FALLS, MINNESOTA
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 DECEMBER 31, 2020**

Capital Projects

Airport Fund	Total
\$ -	\$ 2,724,944
-	5,525
-	21,331
-	11,116
148,419	226,007
-	9,344
-	1,920,892
-	28,922
-	40,169
<u>\$ 148,419</u>	<u>\$ 4,988,250</u>
\$ 34,187	\$ 61,167
-	1,290
-	8,594
81,003	85,182
-	79,136
<u>115,190</u>	<u>235,369</u>
-	2,535
-	15,240
-	28,922
124,488	126,303
<u>124,488</u>	<u>173,000</u>
-	9,344
-	40,169
-	349,989
-	2,244,827
-	674,930
-	1,353,749
(91,259)	(93,127)
<u>(91,259)</u>	<u>4,579,881</u>
<u>\$ 148,419</u>	<u>\$ 4,988,250</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Special Revenue			
	Library	Airport	Fire Equipment Replacement	Port Authority
REVENUES				
Local Tax Levies	\$ 376,162	\$ -	\$ -	\$ 86,263
Intergovernmental	59,101	84,840	71,314	85
Charges for Services	2,818	224,228	-	-
Fines and Forfeits	1,827	-	-	-
Investment Earnings (Loss)	10,079	859	7,212	11,164
Contributions	6,144	-	-	-
Miscellaneous	1,537	4,156	-	324
Total Revenues	<u>457,668</u>	<u>314,083</u>	<u>78,526</u>	<u>97,836</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	9,950	-
Culture and Recreation	393,112	-	-	-
Economic Development	-	-	-	53,862
Airport	-	384,154	-	-
Capital Outlay	413	7,737	-	-
Debt Service:				
Principal	-	-	35,000	-
Interest	-	-	1,706	-
Fiscal Agent Fees	-	-	-	-
Total Expenditures	<u>393,525</u>	<u>391,891</u>	<u>46,656</u>	<u>53,862</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	64,143	(77,808)	31,870	43,974
OTHER FINANCING SOURCES (USES)				
Transfers In	-	44,900	-	1,851,341
Transfers Out	-	(32,900)	(53,124)	(60,501)
Insurance Proceeds	-	100,057	-	-
Issuance of Debt	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>112,057</u>	<u>(53,124)</u>	<u>1,790,840</u>
CHANGE IN FUND BALANCES	64,143	34,249	(21,254)	1,834,814
Fund Balances (Deficit) - Beginning of Year	<u>288,783</u>	<u>39,230</u>	<u>164,494</u>	<u>411,291</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 352,926</u>	<u>\$ 73,479</u>	<u>\$ 143,240</u>	<u>\$ 2,246,105</u>

**CITY OF REDWOOD FALLS, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

Special Revenue (Continued)

Revolving Loan	Downtown Loan Program	TIF #9-1 Daktronics Expansion	Hospital Building	Special Revenue Subtotal
\$ -	\$ -	\$ 1,276	\$ -	\$ 463,701
-	-	-	-	215,340
-	-	-	-	227,046
-	-	-	-	1,827
24,160	1,348	1	-	54,823
-	-	-	-	6,144
26,454	3,029	-	601,600	637,100
<u>50,614</u>	<u>4,377</u>	<u>1,277</u>	<u>601,600</u>	<u>1,605,981</u>
-	-	-	5,651	5,651
-	-	-	-	9,950
-	-	-	-	393,112
24,464	54	1,276	-	79,656
-	-	-	-	384,154
-	-	-	-	8,150
-	-	-	-	35,000
-	-	-	-	1,706
-	-	-	-	-
<u>24,464</u>	<u>54</u>	<u>1,276</u>	<u>5,651</u>	<u>917,379</u>
26,150	4,323	1	595,949	688,602
-	-	-	-	1,896,241
-	-	-	-	(146,525)
-	-	-	-	100,057
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,849,773</u>
26,150	4,323	1	595,949	2,538,375
616,650	27,807	855	585,512	2,134,622
<u>\$ 642,800</u>	<u>\$ 32,130</u>	<u>\$ 856</u>	<u>\$ 1,181,461</u>	<u>\$ 4,672,997</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Debt Service		
	Community Center Bonds	Ponderosa Business Park Bonds	Debt Service Subtotal
REVENUES			
Local Tax Levies	\$ 47,637	\$ -	\$ 47,637
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Investment Earnings (Loss)	(1,253)	-	(1,253)
Contributions	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>46,384</u>	<u>-</u>	<u>46,384</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	-
Airport	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	42,553	305,000	347,553
Interest	4,129	16,618	20,747
Fiscal Agent Fees	133	8,477	8,610
Total Expenditures	<u>46,815</u>	<u>330,095</u>	<u>376,910</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(431)	(330,095)	(330,526)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	60,501	60,501
Transfers Out	-	-	-
Insurance Proceeds	-	-	-
Issuance of Debt	-	269,181	269,181
Total Other Financing Sources (Uses)	<u>-</u>	<u>329,682</u>	<u>329,682</u>
CHANGE IN FUND BALANCES	(431)	(413)	(844)
Fund Balances (Deficit) - Beginning of Year	<u>(1,055)</u>	<u>42</u>	<u>(1,013)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (1,486)</u>	<u>\$ (371)</u>	<u>\$ (1,857)</u>

**CITY OF REDWOOD FALLS, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

Capital Projects

Airport Fund	Total
\$ -	\$ 511,338
27,651	242,991
-	227,046
-	1,827
(5,112)	48,458
-	6,144
-	637,100
<u>22,539</u>	<u>1,674,904</u>
-	5,651
-	9,950
-	393,112
-	79,656
-	384,154
34,187	42,337
-	382,553
-	22,453
-	8,610
<u>34,187</u>	<u>1,328,476</u>
(11,648)	346,428
35,156	1,991,898
-	(146,525)
-	100,057
-	269,181
<u>35,156</u>	<u>2,214,611</u>
23,508	2,561,039
<u>(114,767)</u>	<u>2,018,842</u>
<u>\$ (91,259)</u>	<u>\$ 4,579,881</u>

CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF NET POSITION — INTERNAL SERVICE FUNDS
DECEMBER 31, 2020

ASSETS	Central Garage Fund	Self- Insurance Fund	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 712,647	\$ 76,657	\$ 789,304
Accounts Receivable, Net	6,168	60,547	66,715
Special Assessments Receivable	598	-	598
Accrued Interest Receivable	1,622	315	1,937
Due from Other Governmental Units	2,385	-	2,385
Prepaid Items	5,060	-	5,060
Total Current Assets	728,480	137,519	865,999
CAPITAL ASSETS			
Land	51,900	-	51,900
Construction in Progress	63,257	-	63,257
Buildings and Improvements	1,401,265	-	1,401,265
Machinery and Equipment	3,987,256	-	3,987,256
Total Capital Assets	5,503,678	-	5,503,678
Less: Accumulated Depreciation	(2,334,492)	-	(2,334,492)
Net Capital Assets	3,169,186	-	3,169,186
Total Assets	3,897,666	137,519	4,035,185
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	4,284	-	4,284
Other Postemployment Benefits Related	394	-	394
Total Deferred Outflows of Resources	4,678	-	4,678
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	9,381	6,923	16,304
Due to Other Funds	1,258	-	1,258
Accrued Salaries and Fringes	2,161	-	2,161
Accrued Interest Payable	8,900	-	8,900
Compensated Absences - Current	5,830	-	5,830
Other Postemployment Benefits Obligation - Current	394	-	394
Bonds Payable - Current	53,000	-	53,000
Total Current Liabilities	80,924	6,923	87,847
NONCURRENT LIABILITIES			
Compensated Absences	6,967	-	6,967
Other Postemployment Benefits Obligation	6,238	-	6,238
Net Pension Liability	57,297	-	57,297
Bonds Payable - Long-Term	727,000	-	727,000
Total Noncurrent Liabilities	797,502	-	797,502
Total Liabilities	878,426	6,923	885,349
DEFERRED INFLOWS OF RESOURCES			
Pension Related	6,571	-	6,571
Other Postemployment Benefits Related	1,615	-	1,615
Total Deferred Inflows of Resources	8,186	-	8,186
NET POSITION			
Net Investment in Capital Assets	2,389,186	-	2,389,186
Unrestricted	626,546	130,596	757,142
Total Net Position	\$ 3,015,732	\$ 130,596	\$ 3,146,328

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Central Garage Fund	Self- Insurance Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 661,316	\$ 1,020,514	\$ 1,681,830
Miscellaneous	13,348	-	13,348
Total Operating Revenues	<u>674,664</u>	<u>1,020,514</u>	<u>1,695,178</u>
OPERATING EXPENSES			
Personal Services	90,091	-	90,091
Professional Services	70,764	-	70,764
Supplies	152,387	-	152,387
Depreciation	383,561	-	383,561
Benefits or Claims	-	1,002,698	1,002,698
Miscellaneous	3,871	-	3,871
Total Operating Expenses	<u>700,674</u>	<u>1,002,698</u>	<u>1,703,372</u>
OPERATING INCOME (LOSS)	(26,010)	17,816	(8,194)
OTHER INCOME (EXPENSE)			
Investment Earnings	17,351	2,558	19,909
Gain on Sale of Capital Assets	25,926	-	25,926
Interest Expense	(19,487)	-	(19,487)
Total Other Income (Expense)	<u>23,790</u>	<u>2,558</u>	<u>26,348</u>
INCOME (LOSS) BEFORE TRANSFERS	(2,220)	20,374	18,154
Transfers In	<u>77,763</u>	-	<u>77,763</u>
CHANGE IN NET POSITION	75,543	20,374	95,917
Net Position - Beginning of Year	<u>2,940,189</u>	<u>110,222</u>	<u>3,050,411</u>
NET POSITION - END OF YEAR	<u>\$ 3,015,732</u>	<u>\$ 130,596</u>	<u>\$ 3,146,328</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS — INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Central Garage Fund	Self- Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 667,878	\$ 960,153	\$ 1,628,031
Cash Paid to Suppliers	(298,123)	(999,945)	(1,298,068)
Cash Paid to Employees	(90,760)	-	(90,760)
Net Cash Flows Provided (Used) by Operating Activities	<u>278,995</u>	<u>(39,792)</u>	<u>239,203</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	77,342	-	77,342
Net Cash Flows Provided by Noncapital Financing Activities	<u>77,342</u>	<u>-</u>	<u>77,342</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(95,699)	-	(95,699)
Proceeds from Issuance of Refunding Bonds	780,000	-	780,000
Principal Paid on Bonds	(795,000)	-	(795,000)
Interest, Paying Agent Fees	(23,002)	-	(23,002)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(133,701)</u>	<u>-</u>	<u>(133,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	18,252	2,616	20,868
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	240,888	(37,176)	203,712
Cash and Cash Equivalents - Beginning of Year	<u>471,759</u>	<u>113,833</u>	<u>585,592</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 712,647</u></u>	<u><u>\$ 76,657</u></u>	<u><u>\$ 789,304</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (26,010)	\$ 17,816	\$ (8,194)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:			
Depreciation	383,561	-	383,561
(Increase) Decrease in Assets and Deferred Outflows:			
Receivables	(5,975)	(60,361)	(66,336)
Due from Other Governments	(811)	-	(811)
Prepaid Items	(155)	-	(155)
Deferred Outflows - Pension	(397)	-	(397)
Deferred Outflows - OPEB	(26)	-	(26)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(68,384)	2,753	(65,631)
Other Accrued Liabilities	(1,239)	-	(1,239)
Net Pension Liability	4,850	-	4,850
OPEB Liability	570	-	570
Deferred Inflows - Pension	(6,672)	-	(6,672)
Deferred Inflows - OPEB	(317)	-	(317)
Net Cash Flows Provided (Used) by Operating Activities	<u><u>\$ 278,995</u></u>	<u><u>\$ (39,792)</u></u>	<u><u>\$ 239,203</u></u>

STATISTICAL SECTION (UNAUDITED)

**CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS — DAKTRONICS INC. #9-1, TAX
INCREMENT FINANCIAL DISTRICT (UNAUDITED)
DECEMBER 31, 2020**

	Budget	Accounted for in Prior Years	2020	Actual Over (Under) Budget
SOURCES OF FUNDS				
Tax Increments Received	\$ 272,702	\$ 127,485	\$ 1,276	\$ (143,941)
Interest Earnings	20,000	-	-	(20,000)
Total Sources of Funds	<u>292,702</u>	<u>127,485</u>	<u>1,276</u>	<u>(163,941)</u>
USES OF FUNDS				
Site Improvements/Preparation Costs	235,000	118,838	1,162	(115,000)
Note Payments				
Interest	30,432	855	1	(29,576)
Administrative Expenses	27,270	1,708	45	(25,517)
Professional Services	-	6,084	68	6,152
Total Uses of Funds	<u>292,702</u>	<u>127,485</u>	<u>1,276</u>	<u>(163,941)</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF REDWOOD FALLS, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS — MUNICIPAL DEVELOPMENT
DISTRICT #10-1, TAX INCREMENT FINANCIAL DISTRICT (UNAUDITED)
DECEMBER 31, 2020

	Budget	Accounted for in Prior Years	2020	Actual Over (Under) Budget
SOURCES OF FUNDS				
Tax Increments Received	\$ 3,664,090	\$ 277,337	\$ 68,464	\$ (3,318,289)
Interest Earnings	350,000	-	-	(350,000)
Total Sources of Funds	<u>4,014,090</u>	<u>277,337</u>	<u>68,464</u>	<u>(3,668,289)</u>
USES OF FUNDS				
Land/Building Acquisition	450,000	275,724	68,102	(106,174)
Site Improvements/Preparation Costs	250,000	-	-	(250,000)
Installation of Public Utilities	500,000	-	-	(500,000)
Streets and Sidewalks	1,955,259	-	-	(1,955,259)
Note Payments				
Interest	492,422	-	-	(492,422)
Administrative Expenses	366,409	1,613	362	(364,434)
Total Uses of Funds	<u>4,014,090</u>	<u>277,337</u>	<u>68,464</u>	<u>(3,668,289)</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF REDWOOD FALLS, MINNESOTA
COMPARATIVE SCHEDULES OF TAX LEVIES — LAST FIVE YEARS (UNAUDITED)
DECEMBER 31, 2020**

	For 2020 Collection		For 2019 Collection		For 2018 Collection		For 2017 Collection		For 2016 Collection	
	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity	Net Tax Amount	Net Tax Capacity
General	\$ 2,780,869	88.105	\$ 2,647,035	87.275	\$ 2,530,588	87.847	\$ 2,444,319	90.163	\$ 2,297,990	90.069
Bonds and Interest	47,495	1.505	46,840	1.545	59,437	2.064	58,621	2.163	60,277	2.330
Total	<u>\$ 2,828,364</u>	<u>89.610</u>	<u>\$ 2,693,875</u>	<u>88.820</u>	<u>\$ 2,590,025</u>	<u>89.911</u>	<u>\$ 2,502,940</u>	<u>92.326</u>	<u>\$ 2,358,267</u>	<u>92.399</u>

**CITY OF REDWOOD FALLS, MINNESOTA
 COMPARATIVE SCHEDULES OF TAX CAPACITY — LAST FIVE YEARS (UNAUDITED)
 DECEMBER 31, 2020**

	<u>For 2020 Collection</u>	<u>For 2019 Collection</u>	<u>For 2018 Collection</u>	<u>For 2017 Collection</u>	<u>For 2016 Collection</u>
Real Property	\$ 3,189,044	\$ 3,065,006	\$ 2,915,596	\$ 2,750,255	\$ 2,639,905
Personal Property	56,475	57,841	54,301	51,091	46,056
Tax Increment Districts	76,828	77,426	75,926	78,052	86,033
Total	<u>\$ 3,322,347</u>	<u>\$ 3,200,273</u>	<u>\$ 3,045,823</u>	<u>\$ 2,879,398</u>	<u>\$ 2,771,994</u>

REPORTS RELATING TO *GOVERNMENT AUDITING STANDARDS*



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood Falls, Minnesota (the City), as of and for the year ended December 31, 2020, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

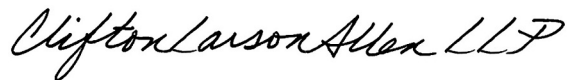
Honorable Mayor and Members of the City Council
City of Redwood Falls

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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
June 16, 2021



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood Falls, Minnesota (the City), as of December 31, 2020, 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 16, 2021.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
June 16, 2021

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