

City of Red Wing, Minnesota Comprehensive Annual Financial Report



Staff Photo

**For the Fiscal Year Ended
December 31, 2018**

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CITY OF RED WING
RED WING, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018

PREPARED BY:
ADMINISTRATIVE BUSINESS DEPARTMENT

MARSHALL HALLOCK, CPA
Administrative Business Director

Member GFOA of U.S. and Canada
Published June 18, 2019

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Red Wing, Minnesota
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INTRODUCTORY SECTION

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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June 18, 2019

To the Honorable Mayor,
Members of the City Council,
and Citizens of the City of Red Wing, Minnesota

Minnesota statutes require that every general-purpose local government publish within six months of the close of each fiscal year an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance generally accepted auditing standards by a firm of licensed certified public accountants or the state auditor. Pursuant to that requirement submitted herewith is the Comprehensive Annual Financial Report of the City of Red Wing, Minnesota (the City), for the fiscal year ended December 31, 2018.

The purpose of this report is to provide the Mayor, City Council, City Staff, citizens, bondholders, rating agencies and other interested parties with useful information concerning the City's financial position and operations. This report was prepared by the City's Administrative Business Department and represents the official report of the City's financial position and operations. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with the City. Your Management staff believes the information, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants, State Auditor's Office and the City's Charter.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control structure that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. The City's internal control framework has been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires management's estimates and judgments. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that this financial report is complete and reliable in all material respects.

The financial statements in this report have been audited by Abdo, Eick & Meyers, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements, for the year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. It includes all activities considered by generally accepted accounting principles to be part of (controlled by or dependent on) the City. The City is also financially accountable for the legally separate Red Wing Port Authority which is reported separately as a component unit within the report.

Independent School District 256 is an independent district and not part of the City. Financial data for it is not included in the financial statements in this report. Audited financial statements for the district are available upon request at its business office in Red Wing.

The Housing and Redevelopment Authority of Red Wing (HRA) is considered to be a separate government. The City does not review or approve the budget. Financial data for it is not included in the financial statements in this report. Audited financial statements are available upon request at its business office in Red Wing.

The pension funds for Red Wing's Volunteer Fire Department and appropriate Police personnel are administered through their respective relief associations. Both associations are self-governing with their own Boards of Trustees, by-laws, and officers. Financial data for the pension funds are not included in the financial statements in this report. A financial statement and actuarial information are available upon request.

With a staff of approximately 199 regular, full-time equivalent employees, the City provides its residents and businesses with a full range of municipal services prescribed by statute or charter. These services include, but are not limited to, police and fire protection, ambulance and emergency medical services, street and drainage construction and maintenance, engineering, planning, building and zoning, code enforcement, rental housing inspection, sanitation, parks, culture and recreation, economic and community development, neighborhood services and general legislative and administrative services. It also operates seven enterprises: refuse collection and recycling, a public water and wastewater utility, a solid waste campus, a marina ambulance services, and a storm water utility. These enterprises are provided and funded with user charges established by the City Council.

PROFILE OF THE CITY

The City was incorporated on March 4, 1857. The City is situated on the Mississippi River, at the headwaters of Lake Pepin, approximately 50 miles southeast of Minneapolis-Saint Paul. It is the county seat of Goodhue County and a community rich in history, tradition and diversity. While the City continues to grow as a regional center for business and retail trade, medical care, education, and culture and recreation it is distinct because of its beautiful and abundant natural amenities.

The City covers an area of 41.28 square miles. The 2010 population of the City according to the U.S. Census Bureau is 16,572, which is a 2.8 percent increase over the 2000 U.S. Census of 16,116. The City operates under a weak Mayor form of government. Policy-making and legislative authority are vested in the governing Council consisting of a Mayor and seven Council members. The City Charter provides that the Mayor shall be the titular head of the City and shall be recognized as the official head of the City for all ceremonial purposes, by the courts for the purpose of serving civil processes, and by the Governor for the purposes of martial law. The Mayor does not have a vote on the Council but does have veto authority over Council actions. The Council may reconsider any vetoed action at the next regular meeting and by a two-thirds vote of all members override the mayor's veto. The voters of the City at Large elect the Mayor for four years on a part-time basis. The City Council is comprised of seven members serving four-year staggered terms. The Council members are elected from the City's four wards on a non-partisan basis. Voters of each ward elect one member of the City Council for four years on a part-time basis. Two additional members are elected to serve as members who represent two of the four wards. The voters of the City at Large elect an additional member of the City Council.

The Council, among other things, is responsible for establishing policy, passing ordinances, adopting the budget and appointing committees. The Council is also responsible for appointing an administrative officer, a financial officer, a clerical officer, city attorney(s), a director of engineering, a chief law enforcement official, a chief fire official, an administrative services director, a community development director, and a public works director. The Council Administrator is the chief administrative officer of the City and is responsible for performing all administrative functions of the City, for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and keeping the Mayor and City Council advised as the financial needs and condition of the City.

BUDGETARY CONTROL

Budgetary control is maintained in compliance with the City's Charter requirements. The Charter provides that it is the duty of the administrative officer to enforce the provisions of the budget. The management policy of the City is such that the existence of a particular item or appropriation in the approved budget does not mean that it will or must be automatically expended. It is the policy of the City to control budgets at the expenditure category level. Budget adjustments are made upon the approval of a resolution by the City Council. The City Charter provides that after the budget resolution has been adopted, the City Council shall have no power to increase the amounts fixed in the budget resolution by the insertion of new items or otherwise, beyond the estimated revenue unless actual receipts exceed the estimates, and then not beyond the actual receipts.

The annual budget serves as the foundation for the City's financial planning and control. The budget incorporates the City's financial policies related to operations, management policy, debt management, reserves, investments, and amendments into the overall budget document. The budget process is focused on the balancing of anticipated revenues and appropriations. City departments submit their appropriation requests to the Administrative Business Department in June. These requests, along with projected revenue, are the starting point for developing the proposed budget. The Council Administrator and Administrative Business Director present a preliminary budget to the Council prior to September 30th of each year. The Council at that time sets the preliminary tax levy, which can be lowered but not increased. The City Council holds public budget work sessions and a formal public hearing before adopting the final budget and tax levy by December 28. The Council Administrator has budget discretion within expenditure categories; however, adjustments between departments or funds require a budget amendment adopted by the City Council.

The flexibility needed to control and protect the various funds is provided by a monthly monitoring of the accounting records to show adequate revenue sources for anticipated expenditures. This monthly monitoring process prevents expenditures from being approved until it has been determined that adequate funds were appropriated, the expenditure is necessary and there are adequate funds available for such.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. The City is located along a natural crossing point of the Mississippi River, a place where Minnesota and Wisconsin meet and where one enjoys easy access to business, markets and recreation. The City has access to the major market areas of North America with the Minneapolis-St. Paul metropolitan areas approximately 50 miles northwest of the City.

The City is a regional center. The City currently enjoys a stable economic environment and local factors appear to indicate its continued stability. The City has a diverse tax base including various industries and organizations which contribute to the area's relative stability of the unemployment rate in relation to State and national averages. Major industries with headquarters or divisions located within the City's boundaries include electric utilities, health care, various manufacturers, agribusinesses and numerous financial, insurance, and legal professionals.

The City's financial base is currently sound and future prospects are good. The City has an employed labor market of approximately 12,456 jobs. This labor market draws workers from significant distances outside Red Wing. The City's three business districts are expected to maintain their high occupancy rate with a variety of stores, specialty shops and commercial businesses.

Long-term Financial Planning. The Mayor and City Council continue to take a long-term view of the City's finances. The City Council and the administration have worked to demonstrate a financial planning commitment by undertaking strategic planning, proactively managing reductions in state-paid local government aids, developing a capital improvement program, engaging the public in budget discussions, holding policy workshops early in the budget development process, identifying alternative revenue sources, reviewing fees and rates for utility services, securing grants and refinancing when prudent.

The Minnesota Office of the State Auditor's general recommendation is *"that at year-end local governments maintain an unreserved fund balance in their general fund and of approximately 35 to 50 percent of operating expenditures which should provide the local government with adequate funds until the next property tax revenue collection cycle."* In addition, the Office of the State Auditor's recommendation states, *"The adequacy of unreserved fund balance should be assessed based on an individual local government's own circumstances"....*the City has assessed its own specific circumstance and chosen to be conservative in the General fund's unreserved fund balance we maintain which has enabled us to address reductions in State-paid local government aids and provide planning certainty.

The City's economic indicators for residential construction in 2018 improved over the 2014 - 2017 fiscal years. In 2018, the City issued 24 permits for new residential construction with a valuation of \$5,169,015 compared to 26 in 2017 with a valuation of \$3,749,772. The 24 residential permits issued in 2018 are above the five-year average of 20.0 residential permits and above the five-year average valuation of \$3,916,727.

In 2018, the City issued 8 civic, institutional, commercial and industrial permits with a valuation of \$3,484,546 compared to 4 in 2017 with a valuation of \$5,997,178. The 8 civic, institutional and commercial and industrial permits issued in 2018 are above the five-year average of 5.4 civic, institutional, commercial and industrial permits. The valuation of the 8 civic, institutional and commercial permit issued in 2018 is below the five-year average valuation of \$5,938,565.

A total of 32 residential, civic, institutional commercial and industrial permits were issued in 2018 with a combined valuation of \$8,653,561. The 32 residential, civic, institutional commercial and industrial permits issued in 2018 are above the five-year average of 25.4 residential, civic, institutional commercial and industrial permits. The valuation of the 32 residential, civic, institutional commercial and industrial permits issued in 2018 is below the five-year average valuation of \$9,855,291.

Significant ongoing investments at Xcel Energy's Prairie Island Nuclear Generating Plant also continue to contribute to local tax base growth. The Prairie Island Nuclear Generating Plant's taxable market value is shown below for the past five years:

Year	Valuation
2014	\$488,240,300
2015	644,384,800
2016	759,326,600
2017	842,017,800
2018	905,159,800

To stay current with the rapidly changing national economy the City continues to refine its methods for making informed financial decisions. The City employs tax base modeling and continues to build, implement and expand its capital improvement plan. The capital improvement plan supports achievement of the City's long-term strategic goals of providing and maintaining public facilities and infrastructure for its citizens and businesses balanced against the constraint of available resources. The capital improvement plan is updated annually and includes a majority of expenditure categories for the City, including infrastructure, equipment, buildings and facilities. To facilitate long-term planning, the City is not confining the capital improvement plan to a five-year period. City Administration requires the plan to include all funding sources for each project to facilitate future revenue, debt and net asset projections. To reduce the City's primary reliance on property taxes the City actively pursues alternative non-property tax revenue sources.

The City continues to explore all avenues that will meet the increasing demand for services while controlling the costs associated with the delivery of those services to its citizens.

The City continues building upon and implementing its asset management program with the sanitary sewer, storm water, water, streets, facilities and other systems. The asset management program assesses the current condition of systems and equipment and projects the timing of repairs and replacements. To add to planning capacity beyond the standard asset management program the City begun implementation of a pavement management program. The City is incorporating this data into the capital and long-term forecasting and planning processes.

The City employs a financing model for the reconstruction of aged infrastructure within the City. This model includes assessments to benefited properties as well as portions funded through other City funds. The model is applied to projects which include the reconstruction of streets. The tax base, infrastructure replacement and financing models are used to project impacts on future property tax levies, budgets and debt activity as a result of future reconstruction projects.

For the future, infrastructure improvements continue to be a community priority. Nearly \$43.9 million of street related transportation improvements are being planned over the next 5 years with approximately \$21.75 million for 2019. In addition to City owned infrastructure, the Minnesota Department of Transportation awarded a \$63.5 contract in 2017 for the replacement of the Highway 61 interstate bridge connecting Red Wing and Wisconsin.

The City's bond rating of Aa2 from Moody's Investor Services was reaffirmed. The Aa2 rating reflects the City's healthy financial operations supported by adequate General fund reserves.

Major Initiatives. In preparing the 2019 budget, the City continued its commitment to quality of life and livability themes and commitment to the efficient and effective delivery of local government services to the citizens of Red Wing.

In 2018, the City's "Red Wing 2040" Comprehensive Planning process commenced with significant public engagement, participation and input. In lockstep with the Comprehensive Planning process, the City is in the initial stages of updating its Strategic Plan which specifically guides more near-term planning and decision making. The Comprehensive and Strategic Planning process are significant as when they are linked they will ultimately assist in guiding the government's organizational management, use of resources, development and capital investments.

Work and planning continued in 2018 on Memorial and Barn Bluff Park Parks including safety enhancements, trail and trailhead improvements, natural and historic interpretation, picnic areas, overlook areas, and other substantive improvements. These improvements are made possible in large part by state grants and generous local philanthropic contributions.

Construction commenced in 2018 on Fire Station 2 which will facilitate meeting emergency response time goals within the western sections of the City. The project is expected to be completed in the spring of 2019.

Construction commenced in 2018 on the Spring Creek Road and Trunk Highway 61 intersection project. The project will improve the intersection and address safety deficiencies by providing a signaled intersection, removing non-signalized accesses, realigning the intersection, improving sight triangles and providing other general safety enhancements. The project is expected to be complete in the spring of 2019.

Planning continued on the Sturgeon Lake Road Rail Grade Separation project. The project is intended to address rail safety and access concerns. During Minnesota's 2017 legislative session the project was awarded \$14.762 million in funding.

Construction continued on the new Highway 63 Bridge which serves as the local access point between Minnesota and Wisconsin. This project is being led by the State of Minnesota while the City remains an active partner and participant in the project. The Minnesota Department of Transportation awarded a \$63.5 contract in 2017 for the replacement of the Highway 63 interstate bridge connecting Red Wing and Wisconsin. The project is expected to be complete in 2019.

Final design work continued on \$9 million in improvements to the Solid Waste Campus which will result in a conversion from incinerating municipal solid waste to processing the material. The improvements will enhance opportunities for increased throughput, improved recapture of recyclable materials, and the processing of residual municipal solid waste into a form it can be utilized as a renewable energy source. The opportunity to convert incinerator operations is made possible through a partnership with Xcel Energy. The project was awarded in the spring of 2019 and is expected to be complete in October of 2019.

Construction work and improvements intended to renew and preserve the T.B. Sheldon Theatre and enhance theater goers experience are nearing completion. The \$4.4 million project will result in the improvement and replacement of building systems and facilities, restoration and preservation of facility, and meeting of 21st century theater goers expectations. The opportunity to renew and preserve the T.B. Sheldon Theatre is made possible through a partnership with local philanthropic partners and the State of Minnesota. During Minnesota's 2017 legislative session the project was awarded \$1.3 million in funding. The project is expected to be complete in 2019.

Final design work continued on the Levee Park River Boat Transient Dockage and Improvement Project. This \$5.1 million project is situated on the banks of the Mississippi River and is intended to assist in safely accommodating the escalating commercial riverboat traffic the City is receiving. The project will also improve accommodations in Levee Park and assist in meeting the service requirements of the commercial riverboats. The opportunity to undertake this project is made possible through a partnership with the State of Minnesota. During Minnesota's 2017 legislative session the project was awarded \$2.2 million in funding. The project is expected to be complete in 2019.

Planning and public engagement commenced or continued in 2018 on the Old West Main Street and River Renaissance projects. These projects will assist the redevelopment of Old West Main, Bay Point Park, and a section of the riverfront.

Construction commenced in 2018 on the Spring Creek Road and Trunk Highway 61 intersection project. The project will improve the intersection and address safety deficiencies by providing a signaled intersection, removing non-signalized accesses, realigning the intersection, improving sight triangles and providing other general safety enhancements. The project is expected to be complete in the spring of 2019.

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Planning and public engagement commenced or continued in 2018 on the Old West Main Street and River Renaissance projects. These projects will assist the redevelopment of Old West Main, Bay Point Park, and a section of the riverfront.

There were other projects commenced or completed in 2018 that enhanced the quality of life, livability, beauty and recreational opportunities for our community. Improvements were made to regional trails, regional park facilities, public buildings and public infrastructure. The City made other improvements to neighborhood parks including the replacement of playground apparatuses and numerous other improvements that contributed to the beautification, quality of life, and livability of the City.

INTERNAL ACCOUNTING CONTROLS

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- 1) the safeguarding of assets against loss from unauthorized use or disposition, and;
- 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- 1) cost of the control should not exceed the benefits likely to be derived, and;
- 2) evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

RELEVANT FINANCIAL POLICIES

The Mayor and City Council Members continue to evaluate the level of reserves of the city with their desire to minimize property tax increases while still maintaining service levels and infrastructure renewal and replacement. The City has established financial policies for use as a guideline during the budget process. The City employs a conservative approach in making ongoing revenue assumptions by utilizing growth patterns and knowledge of planned growth in the tax base.

Changes in State law over the past years have resulted in funding changes for both schools and local governments. Trends of the past decade, changes in state law, and recent legislation indicate that the City will have a greater reliance on property taxes as a source of financing for city operations in the future and less reliance on intergovernmental revenues (federal and state). Due to the uncertainty in receiving State-paid local government aids they will be conservatively budgeted in the General fund and the Capital Improvement Plan to facilitate planning certainty and assist in ensuring critical public services are not unnecessarily disrupted.

INDEPENDENT AUDIT

State law requires an annual audit of the City's financial records and transactions supporting the financial statements. This requirement has been complied with and the auditors' opinion has been included in this report.

The accompanying financial statements have been examined by Abdo, Eick & Meyers, LLP independent certified public accountants. The firm is engaged by the City Council to render an opinion on the City's financial statements in accordance with generally accepted auditing standards.

The City Council is responsible for:

- 1) assuring that the City administration fulfills its responsibilities in the preparation of the financial statements, and;
- 2) engaging the independent public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial reporting.

To ensure complete independence, Abdo, Eick & Meyers, LLP has full and free access to meet with the City Council to discuss the results of their audit and their assessment of the adequacy of internal accounting controls and the quality of financial reporting.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City of Red Wing, Minnesota, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. The City has received this prestigious award each year since 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The timely preparation and completion of this report are due to the efficient and dedicated services of the Administrative Business Department staff. The significant amount of year-end closing procedures required prior to the audit and the documentation preparation could not have been accomplished without the professional efforts of Finance Manager Keith Schlichting. Appreciation is also extended to City departmental staff, who contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Sincere thanks goes to our independent auditors Abdo, Eick & Meyers, LLP for their service and professional guidance. Lastly, the Mayor's, City Council's and Council Administrator's continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner are sincerely appreciated.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'M. Hallock', is positioned above the printed name.

Marshall Hallock, CPA
Finance Director

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**CITY OF RED WING
LIST OF ELECTED AND APPOINTED OFFICIALS**

COUNCIL MEMBERS AND MAYOR



(Left back row) Red Wing City Council Vice-President Evan Brown, Council President Dean Hove, Mayor Sean Dowse, Council Member John Becker, Council Member Kim Beise, (Left front row) Council Member Becky Norton, Council Member Laurel Stinson, and Council Member Erin Buss.

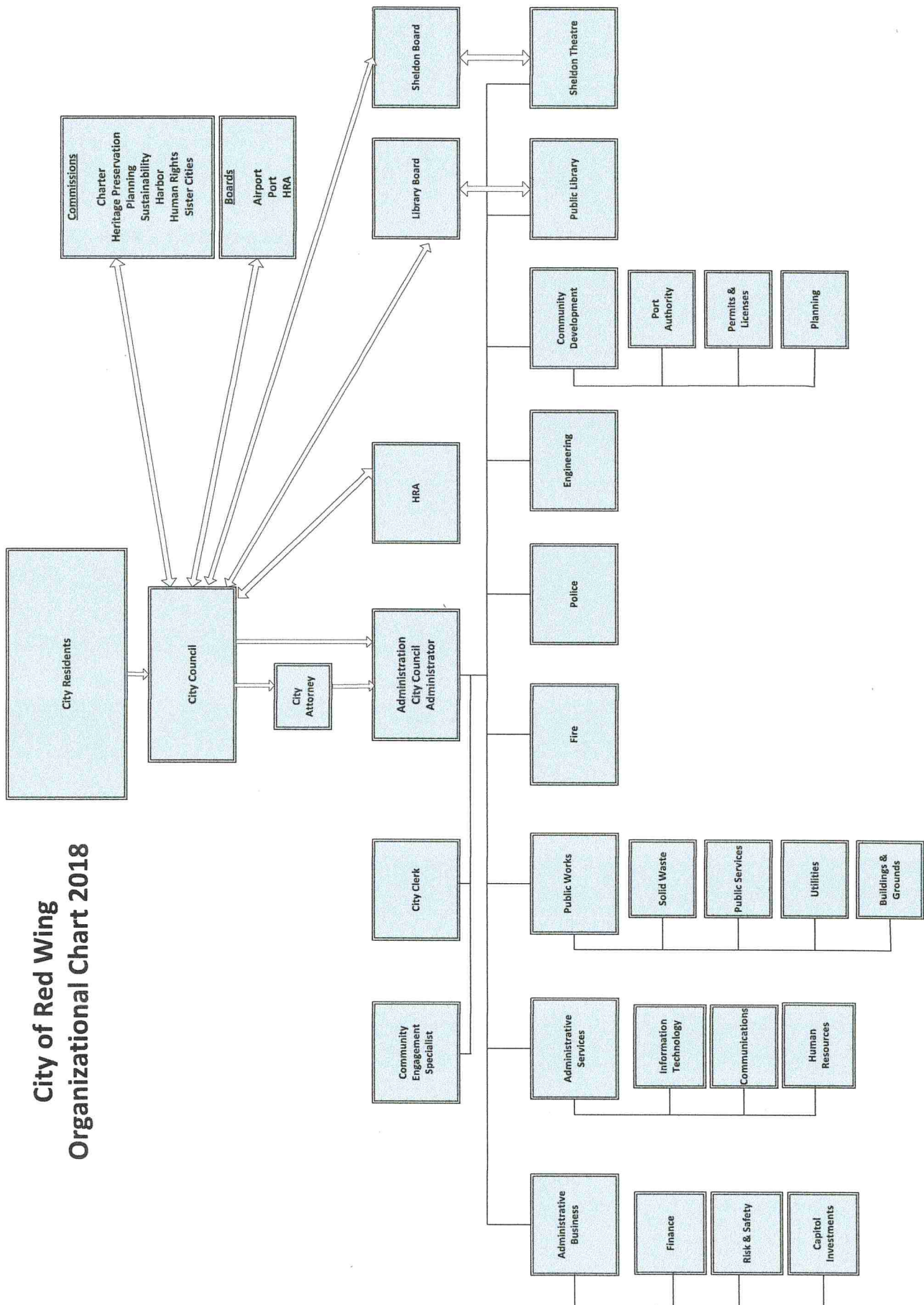
APPOINTED OFFICIALS

Council Administrator - Kay Kuhlmann
Administrative Business Director - Marshall Hallock, C.P.A.
Administrative Services Director - Laura Blair Johnson
City Clerk - Teri Swanson
City Attorney - Rupp, Anderson, Squires & Waldspurger, P.A.
Public Works Director - Rick Moskwa
Engineering Director - Ron Rosenthal
Community Development Director - Dan Rogness
Police Chief - Roger Pohlman
Fire Chief - Shannon Draper

OTHER CITY OFFICIALS

Library Director - Jessica McGee
T.B. Sheldon Executive Director - Bonnie Schock
Finance Manager - Keith Schlichting

City of Red Wing Organizational Chart 2018





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Red Wing
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION
CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Red Wing, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Red Wing, Minnesota, (the City) as of and for the year ended December 31, 2018, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of 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 auditor's 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.

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General fund and PERA Perpetual special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 31 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Changes in the Total OPEB Liability and Related Ratios starting on page 123 be 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, supplementary information and statistical section have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, 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.


ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 18, 2019

People
+ Process®
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the City of Red Wing (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 11 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$174,810,770 (net position). Of this amount, \$33,439,169 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$14,365,724, compared to an increase of \$12,398,140 in the previous year. Governmental activities accounted for 79.1 percent of the total increase while business-type activities accounted for a 20.9 percent of the total increase. A significant portion of this increase is attributable to the City's planned operations, sound fiscal controls, as well as capital, operating, and other grants and contributions including special assessments, and municipal State aids for street and other various improvements. Additionally, this increase is attributable to the timing of capital outlays.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59,847,461, an increase of \$8,668,636 in comparison with the prior year. A significant portion of the net increase is attributable to the City's planned operations, sound fiscal control, and the timing of planned capital improvement projects and acquisitions within governmental funds. Approximately 31.5 percent of this total amount, \$18,877,320, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$40,970,141) is not available for new spending because it is either 1) nonspendable (\$3,518,242), 2) restricted (\$23,882,265), 3) committed (\$6,567,968), or 4) assigned (\$7,001,666) for the purposes described in Note 3 in the fund balance section of each balance sheet.
- During the year, the City's governmental expenditures and financing uses totaled \$46,990,466 compared to \$55,659,102 generated in revenues and other financing sources for governmental programs.
- The General fund reported an increase in fund balance this year of \$4,127,944. Revenues were more than budget by \$667,649 and expenditures were less than the final budget by \$4,473,587. Substantially all this increase is attributable to the City's planned operations, sound fiscal control, and the timing of planned capital improvement projects and acquisitions.
- At the end of the current year, unassigned fund balance of the General fund was \$20,259,408, or 104.4 percent of total General fund expenditures.
- The City's total bonded debt increased by \$6,296,841, or 15.3 percent during the current fiscal year. This was a result of the City issuing \$13,535,000 in additional debt and retiring principal of \$7,238,159 during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City’s Annual Financial Report

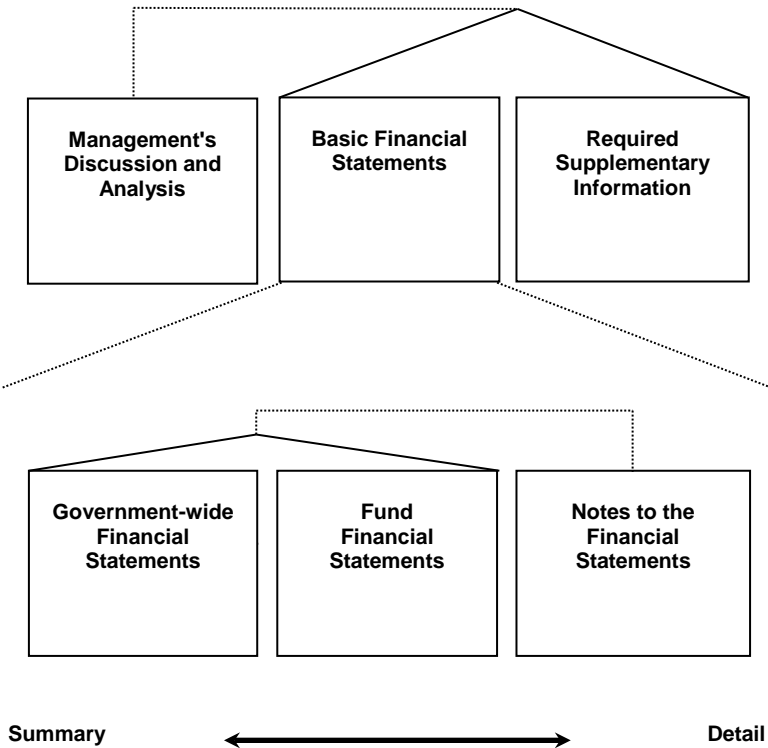


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, culture and recreation, economic development, airport, transit, cemeteries, unallocated, and interest on long-term debt. The business-type activities of the City include the refuse collection and recycling, water, sewer, solid waste campus, marina, ambulance and storm water activities.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Red Wing Port Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 47 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains numerous individual governmental funds, many of which are Debt Service funds which are combined for reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the PERA Perpetual fund, the Debt Service funds (which are considered one fund for financial reporting), the Capital Improvement Assessment fund, the Spring Creek and Highway 61 Access fund and the Public Safety Center fund, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison statements have been provided for the General and PERA Perpetual funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 54 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its refuse collection and recycling, water, sewer, solid waste campus, marina, ambulance, and storm water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its administrative services, central services, insurance (risk management) activities, and information technology, postemployment benefits and engineering activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the refuse collection and recycling, water, sewer, solid waste campus, marina, ambulance and storm water, all of which are considered to be major funds of the City. Conversely, other internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 64 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 74 of this report.

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

Required Supplementary Information Other Than MD&A. Governments have an option of including the budgetary comparison statements for the General fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, this report also presents certain *required supplementary information* concerning the City's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees starting on page 123 of this report. The City has disclosed this information in Notes 4 and 7 to the financial statements and as separate required supplementary information.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 131 of this report.

Statistical Section. Further, a statistical section has been included as part of the comprehensive annual financial report to facilitate additional analysis and can be found starting on page 210 of this report.

Government-wide Financial Analysis

The two government-wide statements report the City's net position and how they have changed. The following table presents net position which is the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is one way to measure the City's financial health, or position, over time. Over time increases or decreases in the City's net position are an indicator of whether the financial health is improving or deteriorating respectively.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$174,810,770 at the close of the most recent fiscal year. A large portion of the City's net position (71.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Red Wing's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Current and Other Assets	\$ 72,495,293	\$ 63,121,299	\$ 9,373,994	\$ 10,272,482	\$ 13,156,386	\$ (2,883,904)
Capital Assets	104,894,695	89,735,494	15,159,201	60,565,555	59,527,496	1,038,059
Total Assets	177,389,988	152,856,793	24,533,195	70,838,037	72,683,882	(1,845,845)
Deferred Outflows of Resources	5,791,994	7,385,832	(1,593,838)	2,399,798	3,328,131	(928,333)
Long-term Liabilities						
outstanding	49,072,165	37,696,916	11,375,249	16,841,962	21,737,821	(4,895,859)
Other Liabilities	3,944,030	2,578,908	1,365,122	1,065,441	1,195,284	(129,843)
Total Liabilities	53,016,195	40,275,824	12,740,371	17,907,403	22,933,105	(5,025,702)
Deferred Inflows of Resources	7,493,118	8,370,466	(877,348)	3,192,331	3,574,455	(382,124)
Net Position						
Net investment in						
capital assets	74,558,012	65,465,148	9,092,864	50,671,411	48,252,911	2,418,500
Restricted	15,669,640	15,331,092	338,548	472,538	454,476	18,062
Unrestricted	32,445,017	30,800,095	1,644,922	994,152	797,066	197,086
Total Net Position	\$ 122,672,669	\$ 111,596,335	\$ 11,076,334	\$ 52,138,101	\$ 49,504,453	\$ 2,633,648

Additionally, a portion of the City's net position (9.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (19.1 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities increased the City's net position by \$11,361,743, accounting for 79.1 percent of the total increase in the City's net position. Key elements of this increase are as follows:

City of Red Wing's Changes in Net Position

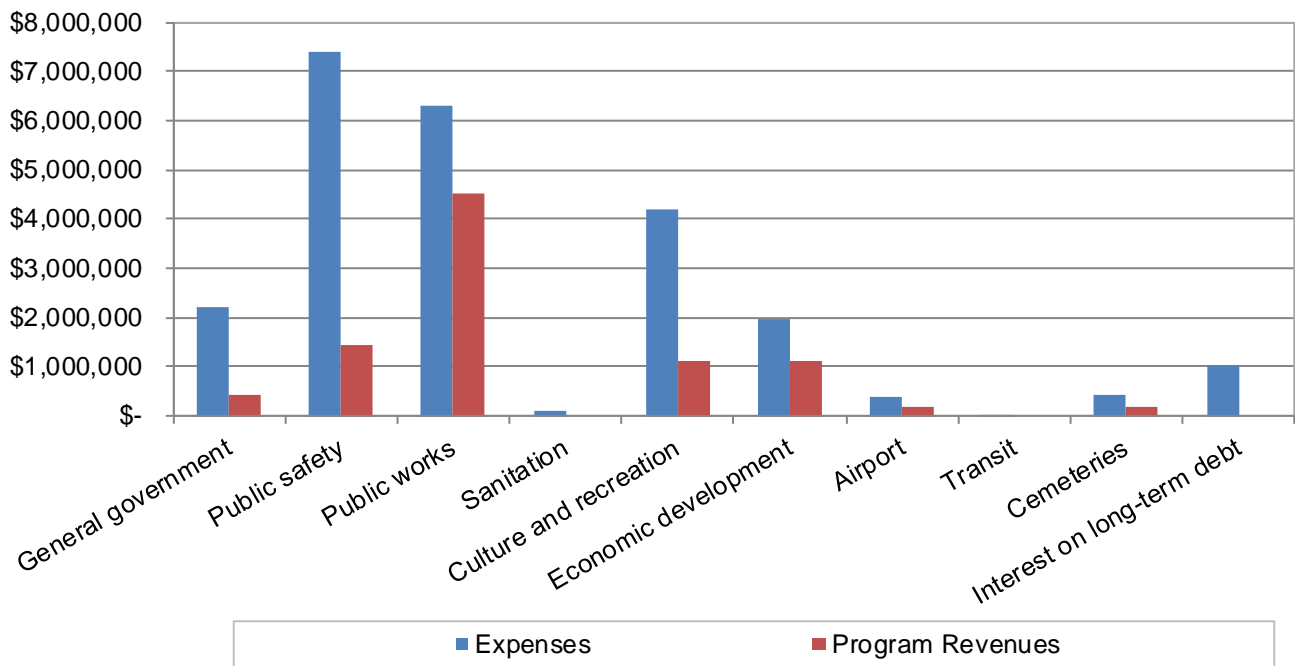
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,799,626	\$ 1,676,402	\$ 123,224	\$ 19,535,155	\$ 17,928,818	\$ 1,606,337
Operating grants and contributions	1,642,979	1,130,771	512,208	40,735	19,346	21,389
Capital grants and contributions	5,517,336	5,726,499	(209,163)	368,812	-	368,812
General Revenues						
Property taxes	23,176,183	21,607,374	1,568,809	-	-	-
Other taxes	424,144	421,774	2,370	-	-	-
Grants and contributions not restricted to specific programs	1,305,856	1,215,076	90,780	-	-	-
Unrestricted investment earnings (loss)	783,568	818,561	(34,993)	82,102	90,603	(8,501)
Other	400,875	201,387	199,488	-	-	-
Gain on sale of capital assets	176,756	10,316	166,440	26,472	60,707	(34,235)
Total Revenues	35,227,323	32,808,160	2,419,163	20,053,276	18,099,474	1,953,802
Expenses						
General government	2,197,544	1,978,680	218,864	-	-	-
Public safety	7,403,798	7,458,841	(55,043)	-	-	-
Public works	6,310,412	5,616,530	693,882	-	-	-
Sanitation	89,269	96,063	(6,794)	-	-	-
Culture and recreation	4,187,586	4,223,786	(36,200)	-	-	-
Economic development	1,967,863	1,116,449	851,414	-	-	-
Airport	405,650	354,440	51,210	-	-	-
Transit	206	236	(30)	-	-	-
Cemeteries	415,040	368,286	46,754	-	-	-
Interest and fiscal charges	1,023,906	567,690	456,216	-	-	-
Ambulance	-	-	-	2,053,098	2,186,069	(132,971)
Refuse collection and recycling	-	-	-	2,564,204	2,450,536	113,668
Water	-	-	-	3,100,054	3,250,721	(150,667)
Sewer	-	-	-	4,695,023	4,246,080	448,943
Storm water	-	-	-	656,048	801,777	(145,729)
Solid waste campus	-	-	-	3,254,076	3,242,387	11,689
Marina	-	-	-	591,098	550,923	40,175
Total Expenses	24,001,274	21,781,001	2,220,273	16,913,601	16,728,493	185,108
Increase (decrease) in net position before transfers	11,226,049	11,027,159	198,890	3,139,675	1,370,981	1,768,694
Transfers	135,694	141,841	(6,147)	(135,694)	(141,841)	6,147
Change in Net Position	11,361,743	11,169,000	192,743	3,003,981	1,229,140	1,774,841
Net Position - January 1 as Restated*	111,596,335	100,427,335	11,169,000	49,504,453	48,275,313	1,229,140
Net Position - December 31	\$ 122,672,669	\$ 111,596,335	\$ 11,076,334	\$ 52,138,101	\$ 49,504,453	\$ 2,633,648

* GASB Statement No. 75 was implemented for the year ended December 31, 2018 and required a \$(285,409), \$(370,333) and \$6,194 restatement of beginning governmental, enterprise and component unit net position, respectively. Prior year amounts were not restated causing a variance in ending net position at December 31, 2017 and beginning net position on January 1, 2018. See Note 11 for further information.

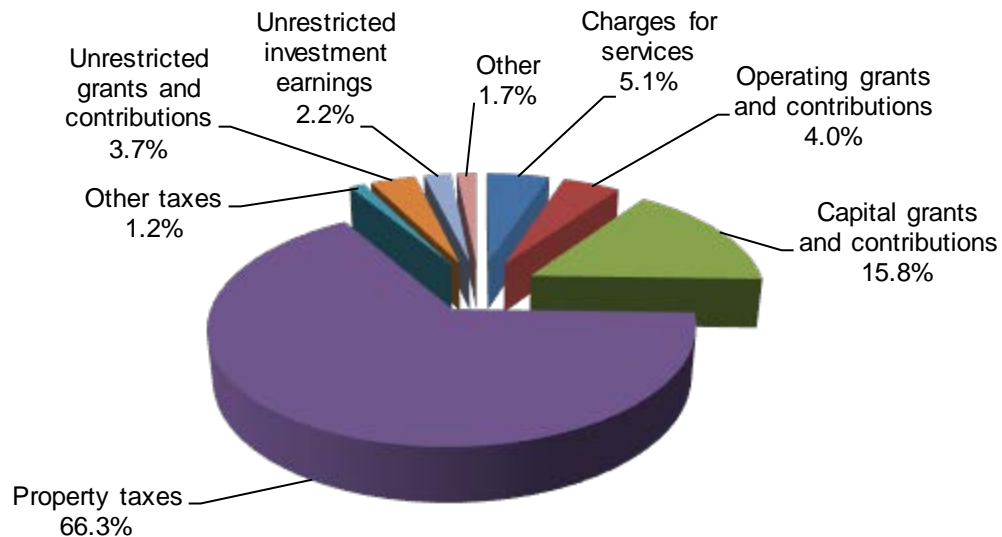
- The 2018 general levy was \$19,427,388 and the special taxing district levy was \$400,608. The 2017 general levy was \$18,480,862 and the special taxing district levy was \$385,565.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



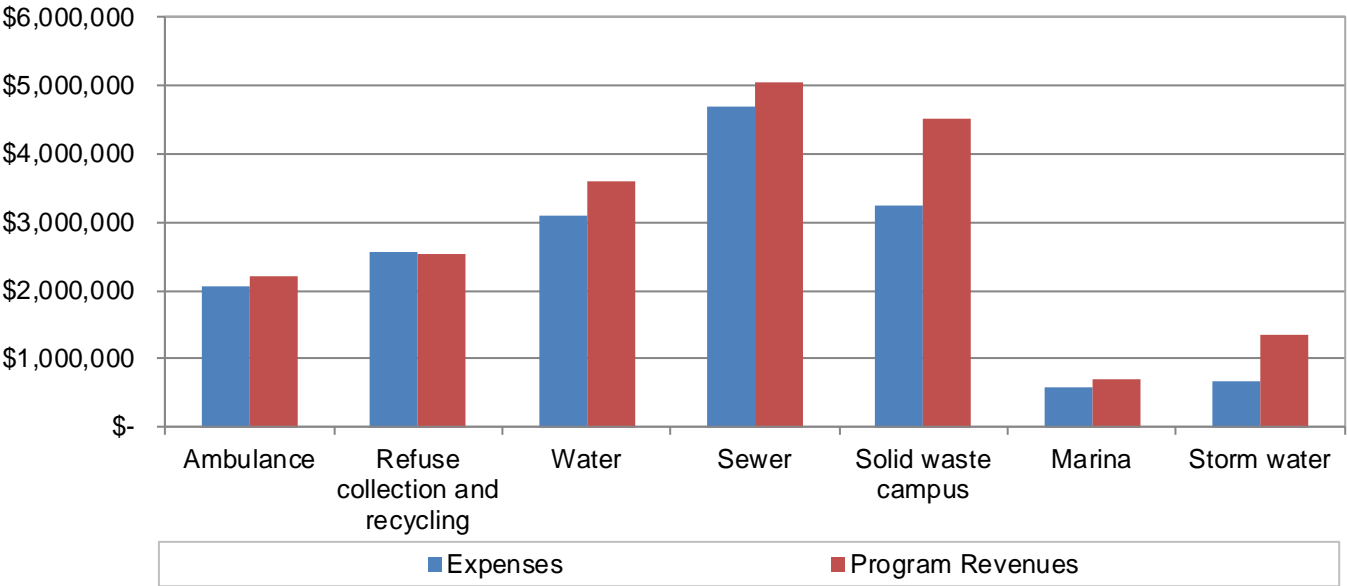
Revenues by Source - Governmental Activities



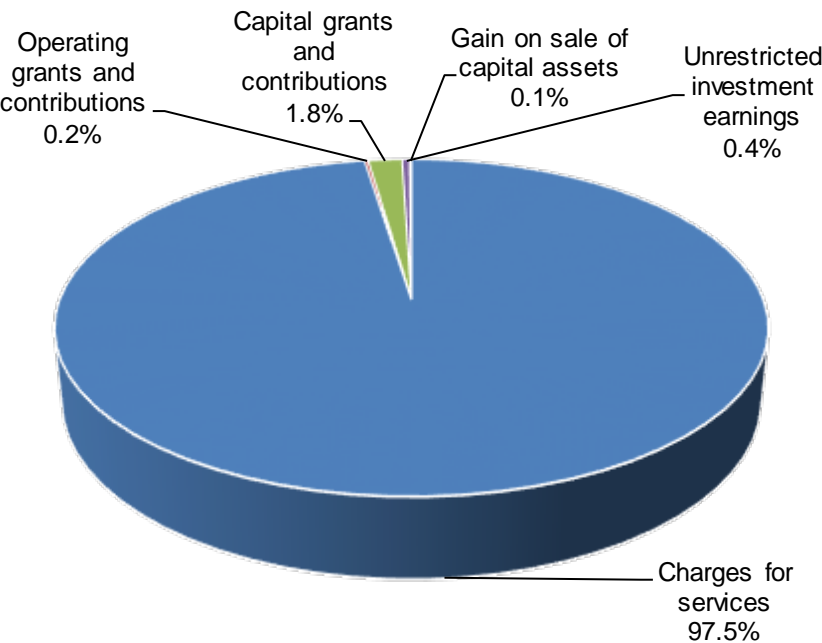
Business-type Activities. Business-type activities increased the City’s net position by \$3,003,981, accounting for a 20.9 percent increase in the total growth in the City’s net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$1,606,337 or 9.0 percent. Volume increases and rate changes contributed to the majority of this increase.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

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

Governmental Funds. The general government functions are contained in the General, special revenue, Debt Service, and capital projects funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59,847,461, an increase of \$8,668,636 in comparison with the prior year. Substantially all this increase is attributable to the City's planned operations, sound fiscal control, and the timing of planned capital improvement projects and acquisitions within governmental funds. Approximately 31.5 percent of this total amount, \$18,877,320, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$40,970,141) is not available for new spending because it is either 1) nonspendable (\$3,518,242), 2) restricted (\$23,882,265), 3) committed (\$6,567,968), or 4) assigned (\$7,001,666) for the purposes described in Note 3 in the fund balance section of each balance sheet.

The *General fund* is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General fund was \$20,259,408, while total fund balance reached \$30,363,303. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 104.4 percent of total General fund expenditures, while total fund balance represents 156.5 percent of that same amount.

The fund balance of the City's General fund increased by \$4,127,944 during the current fiscal year. Key factors in this increase are as follows:

- The increase in fund balance is \$6,048,729 more than the budgeted decrease in fund balance of \$1,920,785. This variance results from revenues being more than budget by \$667,649, expenditures and transfers out being less than budget by \$4,473,587 and \$857,264, respectively, and other financing sources being more than budget by \$50,229 primarily due to the timing of planned capital acquisitions and improvement projects.

The *PERA Perpetual fund* has a total fund balance of \$8,890,125, all of which is restricted for future police and fire expenditures. The net decrease in fund balance during the current year in the PERA Perpetual fund was \$115,642. The decrease is a result of investment income net of transfers to the General fund.

The *Debt Service fund* has a total fund balance of \$3,820,935, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$801,238. The increase is largely a result of property taxes sufficiently covering debt service requirements.

The *Capital Improvement Assessment fund* has a total fund balance of \$6,416,509. The net increase in fund balance during the current year in the Capital Improvement Assessment fund was \$1,402,625. The increase is largely a result of \$700,994 of special assessment revenue and intergovernmental revenue of \$731,652 less public works expenditures of \$71,802 and transfers out of \$205,544.

The *Spring Creek and Highway 61 Access Fund* has a total fund balance deficit of \$1,157,524. The net decrease in fund balance during the current year in the fund was \$218,710. The decrease is largely a result of project costs exceeding currently available financing sources.

The *Public Safety Center fund* has a total fund balance of \$1,276,268. The net increase in fund balance during the current year in the fund was \$1,279,373. The increase is due to the timing of bond proceeds and their related capital expenditures.

Proprietary Funds. Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,793,385. Total increase in net position for enterprise funds was \$3,576,347. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be summarized as follows:

- The City made \$330,346 in net adjustments increasing miscellaneous revenues, \$2,321,071 in net adjustments increasing capital expenditures, \$10,162 in net adjustments increasing general government expenditures, \$3,200 in net adjustments increasing public safety expenditures, \$1,120 in net adjustments increasing public works expenditures, \$100,695 in net adjustments increasing culture and recreation expenditures, \$87,415 in net adjustments increasing economic development expenditures and \$117,995 in net adjustments decreasing contingencies related to transferring budget authority to other activities, and \$154,537 in adjustments increasing other financing sources and uses.

Significant Budgetary Variances Between the Final Amended Budget and Actual Results are as Follows:

- Other federal aids were over budget by \$152,329 due to the timing of capital projects.
- Other state aids were under budget by \$25,622 due to the timing of capital projects.
- Charges for services were over budget by \$184,585 due to increases in volume.
- Investment income was \$331,322 over budget resulting from greater investment returns and market value adjustments.
- Total general government expenditures were under budget by \$191,068.
- Total public safety expenditures were over budget by \$206,990.
- Total culture and recreation expenditures were under budget by \$156,024.
- Total contingent expenditures were under budget by \$643,449.
- Capital outlay expenditures were under budget by \$3,630,338 due to the timing of capital projects.
- Transfers out were under budget by \$857,264.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$165,460,250 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Various improvement projects commenced or continued in 2018 and prior years with costs during the year of \$17,686,117. Of this amount, \$5,543,740 related to public safety facilities construction and improvements, \$3,555,736 related to ongoing Spring Creek Road/TH #61 improvements, \$1,984,231 related to the Sheldon renewal improvements, \$1,883,894 related to other ongoing street and pavement improvements, \$1,707,028 related to ongoing improvements to the solid waste facilities in the Solid Waste Campus enterprise fund, \$1,623,707 related to the ongoing 2018 street reconstruction project, \$804,991 related to ongoing park improvements, \$526,225 related to other ongoing public facility improvements, and \$56,565 related to ongoing water enterprise improvements.
- Building additions and other improvements of \$14,489,691, of which \$12,059,242 related to Hwy. #61 safety and street lighting improvements, \$1,196,632 related to the various public facilities and building improvements, \$360,557 related to storm water enterprise improvements, \$305,015 related to various park improvements, \$302,088 related to the wastewater enterprise improvements, \$200,000 related to Solid Waste enterprise improvements, \$45,745 related to water enterprise improvements and \$20,412 related to Marina enterprise improvements.

Additional information on the City's capital assets can be found in Note 3D starting on page 92 of this report.

City of Red Wing's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 9,097,551	\$ 9,097,551	\$ -	\$ 214,980	\$ 214,980	\$ -
Construction in Progress	37,115,753	49,799,099	(12,683,346)	11,984,229	10,220,635	1,763,594
Buildings	9,875,833	9,206,192	669,641	23,179,350	23,591,748	(412,398)
Improvements	15,593,879	3,539,109	12,054,770	6,604,037	6,230,584	373,453
Machinery and Equipment	1,265,635	677,225	588,410	443,787	509,502	(65,715)
Office Equipment	233,312	289,287	(55,975)	-	-	-
Vehicles	4,716,134	4,165,743	550,391	2,296,981	2,621,981	(325,000)
Infrastructure	26,996,598	12,961,288	14,035,310	15,842,191	16,138,066	(295,875)
Total	\$ 104,894,695	\$ 89,735,494	\$ 15,159,201	\$ 60,565,555	\$ 59,527,496	\$ 1,038,059

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,557,000. Of this amount, \$9,737,000 comprises revenue related debt backed by the full faith and credit of the City and \$37,820,000 is general obligation debt.

City of Red Wing's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation Bonds	\$ 37,820,000	\$ 27,305,000	\$ 10,515,000	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	9,737,000	13,955,159	(4,218,159)
Total	\$ 37,820,000	\$ 27,305,000	\$ 10,515,000	\$ 9,737,000	\$ 13,955,159	\$ (4,218,159)

The City's total bonded debt increased by \$6,296,841, (15.3 percent) during the current fiscal year. This was a result of the City issuing \$13,535,000 in additional debt and retired principal of \$7,238,159 during the year.

The City maintains an "Aa2" rating. Such was reaffirmed by Moody's in 2018.

Minnesota statutes limit the amount of net general obligation debt a City may issue three percent of the total estimated market value of the City. The current debt limitation for the City is \$62,987,688, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F starting on page 99 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's officials considered many factors when setting the fiscal-year 2019 budget, rates, and fees that will be charged. The major factors accounted for when adopting the budget are highlighted below.

- Maintain the current level of basic government services.
- Continue long-term infrastructure investments.
- Allocate resources based on prioritization of City Council strategic goals.
- The unemployment rate for the County is currently 2.7 percent, which is a decrease from a rate of 3.2 percent last year. This compares with unemployment rates of 2.9 percent for the State of Minnesota and 3.9 percent for the United States.
- The aggregate impact on property tax payers resulting from increased residential property valuations, decreased utility property valuations, a successful local school referendum, and increases in other local taxing jurisdictions levies. The City's property tax levy for 2019 was decreased by \$2,923,780 and the local property tax rate for 2019 was decreased by 9.17 percent compared to 2018.
- History of strong property tax collections.
- Changes to user charges for proprietary funds to reflect current and anticipated conditions and asset renewal and replacement needs.

The City is committed to long-term financial planning and management. The City has an important responsibility to its citizens to plan the adequate funding of services desired by the public at an affordable cost, including the provision and maintenance of public assets, prudent financial management and accurate accounting for public funds. The City also has a responsibility to protect the City Council's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies. The City will continue its commitment to ensure that it is capable of adequately funding and providing the local government services needed by the community and will continue to protect the City Council's policy-making ability through sound financial management and fiscal policy.

Proactive management and planning assists ensuring Red Wing remains a viable, attractive, livable, and diverse community in which growth and renewal is encouraged. The 2019 budget is a strong financial plan that will move Red Wing toward its long-term goals. Through strong financial management and fiscal responsibility we are prepared to meet the challenges of turbulent economic times. Our commitment to excellence in service while keeping costs affordable to residents will direct the course as we map our community's progress for the future.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Red Wing, 315 West 4th Street, Red Wing, Minnesota 55066. This report is also available on the City's website: <http://www.red-wing.org>.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Red Wing, Minnesota
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
Assets				
Cash and investments	\$ 60,655,811	\$ 9,638,800	\$ 70,294,611	\$ 1,783,220
Assets held in endowment	551,728	-	551,728	-
Receivables				
Accrued interest	142,360	13,949	156,309	-
Delinquent taxes	146,495	-	146,495	2,607
Accounts - net of allowance for doubtful accounts of \$751,719	442,569	3,144,096	3,586,665	1,133
Loans	188,940	-	188,940	1,184,146
Special assessments	1,937,898	-	1,937,898	-
Intergovernmental	2,080,184	-	2,080,184	1,860
Loans to other governments	60,373	-	60,373	-
Internal balances	2,848,809	(2,848,809)	-	-
Due from primary government	-	-	-	15,072
Inventories	128,559	295,977	424,536	-
Prepaid items	5,465	28,469	33,934	-
Land held for resale	2,719,877	-	2,719,877	-
Pension asset	586,225	-	586,225	-
Capital assets				
Nondepreciable	46,213,304	12,199,209	58,412,513	175,042
Depreciable, net of accumulated depreciation	58,681,391	48,366,346	107,047,737	361,661
Total Assets	<u>177,389,988</u>	<u>70,838,037</u>	<u>248,228,025</u>	<u>3,524,741</u>
Deferred Outflows of Resources				
Deferred pension resources	5,763,085	2,370,120	8,133,205	-
Deferred other postemployment benefit resources	28,909	29,678	58,587	-
Total Deferred Outflows of Resources	<u>5,791,994</u>	<u>2,399,798</u>	<u>8,191,792</u>	<u>-</u>
Liabilities				
Accounts and contracts payable	2,687,747	638,503	3,326,250	3,702
Escrow accounts and deposits payable	79,417	-	79,417	-
Due to component unit	15,072	-	15,072	-
Due to other governments	104,602	171,866	276,468	308,808
Accrued interest payable	654,034	101,651	755,685	-
Salaries payable	322,119	152,403	474,522	-
Unearned revenue	81,039	1,018	82,057	-
Noncurrent liabilities				
Due within one year	3,861,104	1,879,276	5,740,380	-
Due in more than one year	45,211,061	14,962,686	60,173,747	-
Total Liabilities	<u>53,016,195</u>	<u>17,907,403</u>	<u>70,923,598</u>	<u>312,510</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>7,493,118</u>	<u>3,192,331</u>	<u>10,685,449</u>	<u>-</u>
Net Position				
Net investment in capital assets	74,558,012	50,671,411	125,229,423	536,703
Restricted				
Permanently restricted				
Library endowments	551,728	-	551,728	-
Cemetery perpetual	1,901,297	-	1,901,297	-
Temporarily restricted				
Debt service	3,186,988	-	3,186,988	-
Police and fire activities	8,917,546	-	8,917,546	-
DNR snowmobile grant	7,509	-	7,509	-
Future loans	247,591	-	247,591	-
Sister cities activities	1,275	-	1,275	-
Tax increment activities	37,598	-	37,598	-
Library activities	19,379	-	19,379	-
Cemetery operations	798,729	-	798,729	-
Ash landfill	-	472,538	472,538	-
Unrestricted	<u>32,445,017</u>	<u>994,152</u>	<u>33,439,169</u>	<u>2,675,528</u>
Total Net Position	<u>\$ 122,672,669</u>	<u>\$ 52,138,101</u>	<u>\$ 174,810,770</u>	<u>\$ 3,212,231</u>

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

City of Red Wing, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,197,544	\$ 401,318	\$ 18,746	\$ -
Public safety	7,403,798	752,079	701,197	-
Public works	6,310,412	121,458	388,348	4,001,709
Sanitation	89,269	-	-	-
Culture and recreation	4,187,586	217,036	254,774	646,438
Economic development	1,967,863	14,051	236,904	860,695
Airport	405,650	118,063	43,010	8,494
Transit	206	-	-	-
Cemeteries	415,040	175,621	-	-
Interest and fiscal charges	1,023,906	-	-	-
Total Governmental Activities	<u>24,001,274</u>	<u>1,799,626</u>	<u>1,642,979</u>	<u>5,517,336</u>
Business-Type Activities				
Refuse collection and recycling	2,564,204	2,536,707	6,916	-
Water	3,100,054	3,579,496	7,450	-
Sewer	4,695,023	5,040,547	8,834	-
Solid waste campus	3,254,076	4,260,460	5,572	250,000
Marina	591,098	691,877	1,043	-
Ambulance	2,053,098	2,091,102	9,760	118,812
Storm water	656,048	1,334,966	1,160	-
Total Business-type Activities	<u>16,913,601</u>	<u>19,535,155</u>	<u>40,735</u>	<u>368,812</u>
Totals Primary Government	<u>\$ 40,914,875</u>	<u>\$ 21,334,781</u>	<u>\$ 1,683,714</u>	<u>\$ 5,886,148</u>
Component Unit				
Port authority	<u>\$ 143,480</u>	<u>\$ 148,969</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for specific purposes
Property taxes, levied for debt service
Tax increments
Franchise taxes
Other taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues
Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1 as Restated (Note 11)

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (1,777,480)		\$ (1,777,480)	
(5,950,522)		(5,950,522)	
(1,798,897)		(1,798,897)	
(89,269)		(89,269)	
(3,069,338)		(3,069,338)	
(856,213)		(856,213)	
(236,083)		(236,083)	
(206)		(206)	
(239,419)		(239,419)	
(1,023,906)		(1,023,906)	
<u>(15,041,333)</u>		<u>(15,041,333)</u>	
	\$ (20,581)	(20,581)	
	486,892	486,892	
	354,358	354,358	
	1,261,956	1,261,956	
	101,822	101,822	
	166,576	166,576	
	<u>680,078</u>	<u>680,078</u>	
	<u>3,031,101</u>	<u>3,031,101</u>	
<u>(15,041,333)</u>	<u>3,031,101</u>	<u>(12,010,232)</u>	
			<u>\$ 5,489</u>
19,522,521	-	19,522,521	-
-	-	-	399,601
3,653,662	-	3,653,662	-
136,802	-	136,802	-
247,661	-	247,661	-
39,681	-	39,681	685
1,305,856	-	1,305,856	93
783,568	82,102	865,670	9,067
400,875	-	400,875	-
176,756	26,472	203,228	-
135,694	(135,694)	-	-
<u>26,403,076</u>	<u>(27,120)</u>	<u>26,375,956</u>	<u>409,446</u>
11,361,743	3,003,981	14,365,724	414,935
<u>111,310,926</u>	<u>49,134,120</u>	<u>160,445,046</u>	<u>2,797,296</u>
<u>\$ 122,672,669</u>	<u>\$ 52,138,101</u>	<u>\$ 174,810,770</u>	<u>\$ 3,212,231</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Red Wing, Minnesota

Balance Sheet
Governmental Funds
December 31, 2018

	General	PERA Perpetual	Debt Service	Capital Improvement Assessment
Assets				
Cash and investments	\$ 26,807,617	\$ 9,135,959	\$ 3,804,874	\$ 3,331,963
Assets held in endowment	-	-	-	-
Receivables				
Accrued interest	81,431	28,462	-	4,316
Delinquent taxes	126,408	-	20,087	-
Accounts (net of allowance)	413,772	-	-	-
Loans	-	-	-	-
Special assessments	-	-	-	1,937,898
Intergovernmental	98,121	-	16,061	44,107
Loans to other governments	60,373	-	-	-
Due from other funds	2,489,626	-	-	-
Advances to other funds	1,000,000	-	-	352,114
Prepaid items	3,679	-	-	-
Land held for resale	-	-	-	2,719,877
Total Assets	\$ 31,081,027	\$ 9,164,421	\$ 3,841,022	\$ 8,390,275
Liabilities				
Accounts payable	\$ 301,422	\$ -	\$ -	\$ -
Escrow accounts payable	73,875	-	-	-
Contracts payable	-	-	-	-
Due to other funds	-	274,296	-	-
Due to other governments	2,504	-	-	-
Salaries payable	162,791	-	-	-
Deposits payable	5,542	-	-	-
Unearned revenue	45,182	-	-	-
Total Liabilities	591,316	274,296	-	-
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	126,408	-	20,087	-
Special assessments	-	-	-	1,937,898
Intergovernmental	-	-	-	35,868
Total Deferred Inflows of Resources	126,408	-	20,087	1,973,766
Fund Balances				
Nonspendable	1,064,052	-	-	-
Restricted	4,897,102	8,890,125	3,820,935	662,312
Committed	3,600,000	-	-	-
Assigned	542,741	-	-	5,754,197
Unassigned	20,259,408	-	-	-
Total Fund Balances	30,363,303	8,890,125	3,820,935	6,416,509
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,081,027	\$ 9,164,421	\$ 3,841,022	\$ 8,390,275

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

Spring Creek and Highway 61 Access	Public Safety Center	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,805,033	\$ 9,482,316	\$ 54,367,762
-	-	551,728	551,728
-	-	13,389	127,598
-	-	-	146,495
1,000	-	23,320	438,092
-	-	170,139	170,139
-	-	-	1,937,898
386,135	-	1,535,760	2,080,184
-	-	-	60,373
-	-	-	2,489,626
-	-	-	1,352,114
-	-	1,165	4,844
-	-	-	2,719,877
<u>\$ 387,135</u>	<u>\$ 1,805,033</u>	<u>\$ 11,777,817</u>	<u>\$ 66,446,730</u>
\$ 513,048	\$ 420,267	\$ 423,302	\$ 1,658,039
-	-	-	73,875
147,641	108,498	4,922	261,061
497,835	-	947,774	1,719,905
-	-	102,098	104,602
-	-	26,019	188,810
-	-	-	5,542
-	-	35,857	81,039
<u>1,158,524</u>	<u>528,765</u>	<u>1,539,972</u>	<u>4,092,873</u>
-	-	-	146,495
-	-	-	1,937,898
386,135	-	-	422,003
<u>386,135</u>	<u>-</u>	<u>-</u>	<u>2,506,396</u>
-	-	2,454,190	3,518,242
-	1,276,268	4,335,523	23,882,265
-	-	2,967,968	6,567,968
-	-	704,728	7,001,666
<u>(1,157,524)</u>	<u>-</u>	<u>(224,564)</u>	<u>18,877,320</u>
<u>(1,157,524)</u>	<u>1,276,268</u>	<u>10,237,845</u>	<u>59,847,461</u>
<u>\$ 387,135</u>	<u>\$ 1,805,033</u>	<u>\$ 11,777,817</u>	<u>\$ 66,446,730</u>

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

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City of Red Wing, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2018

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

Total Fund Balances - Governmental Funds	\$ 59,847,461
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	104,597,094
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(37,820,000)
Unamortized bond premium, net of amortization	(2,548,386)
Other postemployment benefits obligation	(991,410)
Pension liability	(5,969,791)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes	146,495
Special assessments	1,937,898
Intergovernmental	422,003
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	586,225
Governmental funds do not report a liability for accrued interest until due and payable.	(654,034)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	5,763,085
Deferred inflows of pension resources	(7,493,118)
Deferred other postemployment benefit resources	28,909
Internal service funds are used by management to charge the costs of insurance and various services to individual funds. The assets and liabilities of the internal services funds are included in governmental activities in the statement of net position.	<u>4,820,238</u>
Total Net Position - Governmental Activities	<u><u>\$ 122,672,669</u></u>

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

City of Red Wing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	PERA Perpetual	Debt Service	Capital Improvement Assessment
Revenues				
Taxes	\$ 19,809,641	\$ -	\$ 3,678,747	\$ -
Special assessments	-	-	-	700,994
Licenses and permits	74,173	-	-	-
Intergovernmental	2,044,440	-	-	731,652
Charges for services	719,884	-	-	6,625
Fines and forfeits	79,859	-	-	-
Investment income	481,322	112,583	3,052	22,651
Miscellaneous	919,801	-	6,201	10,388
Total Revenues	<u>24,129,120</u>	<u>112,583</u>	<u>3,688,000</u>	<u>1,472,310</u>
Expenditures				
Current				
General government	1,930,751	-	-	-
Public safety	6,754,674	-	-	-
Public works	2,727,811	-	-	71,802
Sanitation	80,256	-	-	-
Culture and recreation	2,169,282	-	-	-
Economic development	1,529,665	-	-	-
Airport	-	-	-	-
Cemeteries	340,666	-	-	-
Contingencies and other	112,255	-	-	-
Capital outlay				
General government	281,973	-	-	-
Public safety	1,011,201	-	-	-
Public works	792,409	-	-	-
Culture and recreation	707,842	-	-	-
Economic development	958,545	-	-	-
Airport	-	-	-	-
Cemeteries	9,122	-	-	-
Debt service				
Principal retirement	-	-	3,020,000	-
Interest and fiscal charges	-	-	781,395	-
Total Expenditures	<u>19,406,452</u>	<u>-</u>	<u>3,801,395</u>	<u>71,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,722,668</u>	<u>112,583</u>	<u>(113,395)</u>	<u>1,400,508</u>
Other Financing Sources (Uses)				
Sale of capital assets	100,735	-	-	107,273
Transfers in	738,308	-	759,650	100,388
Bonds issued	1,942,980	-	154,983	-
Premium on bonds issued	222,720	-	-	-
Transfers out	(3,599,467)	(228,225)	-	(205,544)
Total Other Financing Sources (Uses)	<u>(594,724)</u>	<u>(228,225)</u>	<u>914,633</u>	<u>2,117</u>
Net Change in Fund Balances	4,127,944	(115,642)	801,238	1,402,625
Fund Balances, January 1	<u>26,235,359</u>	<u>9,005,767</u>	<u>3,019,697</u>	<u>5,013,884</u>
Fund Balances, December 31	<u>\$ 30,363,303</u>	<u>\$ 8,890,125</u>	<u>\$ 3,820,935</u>	<u>\$ 6,416,509</u>

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

Spring Creek and Highway 61 Access	Public Safety Center	Other Governmental Funds	Totals
\$ -	\$ -	\$ 136,802	\$ 23,625,190
-	-	-	700,994
-	-	321,314	395,487
2,365,042	-	1,941,397	7,082,531
-	-	87,680	814,189
-	-	9,539	89,398
2,893	24,958	64,446	711,905
5,480	-	445,974	1,387,844
<u>2,373,415</u>	<u>24,958</u>	<u>3,007,152</u>	<u>34,807,538</u>
-	-	-	1,930,751
-	-	244,904	6,999,578
-	-	-	2,799,613
-	-	-	80,256
-	-	1,294,953	3,464,235
-	-	369,831	1,899,496
-	-	299,996	299,996
-	-	-	340,666
-	-	-	112,255
-	-	-	281,973
-	4,329,635	1,322,603	6,663,439
3,703,378	-	4,528,381	9,024,168
-	-	2,346,053	3,053,895
-	-	-	958,545
-	-	1,840	1,840
-	-	-	9,122
-	-	-	3,020,000
-	-	-	781,395
<u>3,703,378</u>	<u>4,329,635</u>	<u>10,408,561</u>	<u>41,721,223</u>
<u>(1,329,963)</u>	<u>(4,304,677)</u>	<u>(7,401,409)</u>	<u>(6,913,685)</u>
-	-	-	208,008
205,544	-	3,687,326	5,491,216
808,056	4,974,114	5,654,867	13,535,000
97,653	609,936	687,031	1,617,340
-	-	(1,236,007)	(5,269,243)
<u>1,111,253</u>	<u>5,584,050</u>	<u>8,793,217</u>	<u>15,582,321</u>
(218,710)	1,279,373	1,391,808	8,668,636
<u>(938,814)</u>	<u>(3,105)</u>	<u>8,846,037</u>	<u>51,178,825</u>
<u>\$ (1,157,524)</u>	<u>\$ 1,276,268</u>	<u>\$ 10,237,845</u>	<u>\$ 59,847,461</u>

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

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City of Red Wing, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statements of Activities -
Governmental Funds
For the Year Ended December 31, 2018

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

Net Change in Fund Balances - Governmental Funds	\$ 8,668,636
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	20,007,193
Depreciation expense	(4,518,853)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position

Book value of disposed of capital assets	(39,381)
Capital contributions to enterprise funds, net of related debt	(222,140)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	3,020,000
Bonds issued	(13,535,000)
Bonds premiums issued, net of amortization	(1,498,261)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(361,590)

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	(2,373)
Special assessments	(230,504)
Intergovernmental	356,463

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

Other postemployment benefits cost	(11,674)
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Long-term pension activity is not reported in governmental funds.

Negative pension expense	397,728
Direct aid contributions	47,780

Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.

(716,281)

Change in Net Position - Governmental Activities	<u>\$ 11,361,743</u>
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The notes to the financial statements are an integral part of this statement.

City of Red Wing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 19,950,941	\$ 19,950,941	\$ 19,809,641	\$ (141,300)
Licenses and permits	57,180	57,180	74,173	16,993
Intergovernmental	1,905,575	1,905,575	2,044,440	138,865
Charges for services	535,299	535,299	719,884	184,585
Fines and forfeits	76,100	76,100	79,859	3,759
Investment income	150,000	150,000	481,322	331,322
Miscellaneous				
Interest on notes and loans	9,723	9,723	-	(9,723)
Rents	138,820	138,820	159,439	20,619
Contributions and donations	153,000	280,374	282,559	2,185
Refunds	-	-	72,313	72,313
Other	154,487	357,459	405,490	48,031
Total Revenues	<u>23,131,125</u>	<u>23,461,471</u>	<u>24,129,120</u>	<u>667,649</u>
Expenditures				
Current				
General government	2,111,657	2,121,819	1,930,751	191,068
Public safety	6,544,484	6,547,684	6,754,674	(206,990)
Public works	2,725,949	2,727,069	2,727,811	(742)
Sanitation	87,986	87,986	80,256	7,730
Culture and recreation	2,224,611	2,325,306	2,169,282	156,024
Economic development	1,449,571	1,536,986	1,529,665	7,321
Cemeteries	355,055	355,055	340,666	14,389
Transit	31,000	31,000	-	31,000
Contingencies and other	873,699	755,704	112,255	643,449
Capital outlay				
General government	271,366	586,919	281,973	304,946
Public safety	1,171,742	1,211,742	1,011,201	200,541
Public works	1,092,860	1,597,050	792,409	804,641
Culture and recreation	1,212,784	1,989,775	707,842	1,281,933
Economic development	1,301,607	1,955,944	958,545	997,399
Cemeteries	20,000	50,000	9,122	40,878
Total Expenditures	<u>21,474,371</u>	<u>23,880,039</u>	<u>19,406,452</u>	<u>4,473,587</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,656,754</u>	<u>(418,568)</u>	<u>4,722,668</u>	<u>5,141,236</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	100,735	100,735
Transfers in	348,779	613,814	738,308	124,494
Bonds issued	2,340,700	2,340,700	1,942,980	(397,720)
Premium on bonds issued	-	-	222,720	222,720
Transfers out	(4,346,233)	(4,456,731)	(3,599,467)	857,264
Total Other Financing Sources (Uses)	<u>(1,656,754)</u>	<u>(1,502,217)</u>	<u>(594,724)</u>	<u>907,493</u>
Net Change in Fund Balances	-	(1,920,785)	4,127,944	6,048,729
Fund Balances, January 1	<u>26,235,359</u>	<u>26,235,359</u>	<u>26,235,359</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 26,235,359</u>	<u>\$ 24,314,574</u>	<u>\$ 30,363,303</u>	<u>\$ 6,048,729</u>

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

City of Red Wing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
PERA Perpetual Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment income	\$ 217,000	\$ 217,000	\$ 112,583	\$ (104,417)
Other Financing Sources (Uses)				
Transfers out	(98,000)	(98,000)	(228,225)	(130,225)
Net Change in Fund Balances	119,000	119,000	(115,642)	(234,642)
Fund Balances, January 1	9,005,767	9,005,767	9,005,767	-
Fund Balances, December 31	<u>\$ 9,124,767</u>	<u>\$ 9,124,767</u>	<u>\$ 8,890,125</u>	<u>\$ (234,642)</u>

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

City of Red Wing, Minnesota
Statement of Net Position
Proprietary Funds (Continued on the Following Pages)
December 31, 2018

	Business-type Activities-Enterprise Funds			
	600	601/651/ 319/488	602/650/317 320/322/323/ 402/490/492	603/307/326/ 403/406
	Refuse Collection & Recycling	Water Utility	Sewer Utility	Solid Waste Campus
Assets				
Current Assets				
Cash and investments	\$ 1,660,039	\$ 2,692,840	\$ 951,702	\$ 1,545,438
Receivables				
Accrued interest	847	759	-	2,889
Accounts - net of allowance for doubtful accounts of \$741,719	437,636	526,643	664,517	482,351
Loans	-	-	-	-
Inventories	-	231,465	44,908	-
Prepaid items	15	-	9,924	15
Total Current Assets	<u>2,098,537</u>	<u>3,451,707</u>	<u>1,671,051</u>	<u>2,030,693</u>
Noncurrent Assets				
Capital assets at cost				
Land	-	37,791	134,839	42,350
Construction in progress	-	195,696	6,550,255	5,238,278
Buildings	-	15,833,021	11,321,724	6,789,962
Improvements other than buildings	76,638	4,611,689	4,985,683	1,605,028
Machinery and equipment	240,819	145,732	2,030,347	43,464
Office equipment	-	-	-	-
Vehicles	2,148,729	567,779	1,279,335	1,539,493
Infrastructure	-	12,401,727	16,126,019	-
Less accumulated depreciation	(1,607,339)	(12,180,752)	(18,271,422)	(3,415,471)
Total Noncurrent Assets	<u>858,847</u>	<u>21,612,683</u>	<u>24,156,780</u>	<u>11,843,104</u>
Total Assets	<u>2,957,384</u>	<u>25,064,390</u>	<u>25,827,831</u>	<u>13,873,797</u>
Deferred Outflows of Resources				
Deferred pension resources	175,929	189,547	224,741	141,744
Deferred other postemployment benefit resources	6,417	5,817	6,497	2,797
Total Deferred Outflows of Resources	<u>182,346</u>	<u>195,364</u>	<u>231,238</u>	<u>144,541</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
605 Marina	610 Ambulance	652 Storm Water	Total	
\$ -	\$ -	\$ 2,788,781	\$ 9,638,800	\$ 6,288,049
-	-	9,454	13,949	14,762
19,326	784,305	229,318	3,144,096	4,477
-	-	-	-	18,801
19,604	-	-	295,977	128,559
18,515	-	-	28,469	621
<u>57,445</u>	<u>784,305</u>	<u>3,027,553</u>	<u>13,121,291</u>	<u>6,455,269</u>
-	-	-	214,980	-
-	-	-	11,984,229	-
-	-	-	33,944,707	7,825
2,289,471	-	929,241	14,497,750	-
37,269	260,286	-	2,757,917	36,221
-	-	-	-	395,958
38,525	814,728	452,781	6,841,370	383,358
-	-	-	28,527,746	-
(2,046,108)	(384,160)	(297,892)	(38,203,144)	(525,761)
<u>319,157</u>	<u>690,854</u>	<u>1,084,130</u>	<u>60,565,555</u>	<u>297,601</u>
<u>376,602</u>	<u>1,475,159</u>	<u>4,111,683</u>	<u>73,686,846</u>	<u>6,752,870</u>
26,536	1,582,118	29,505	2,370,120	-
740	6,738	672	29,678	-
<u>27,276</u>	<u>1,588,856</u>	<u>30,177</u>	<u>2,399,798</u>	<u>-</u>

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

City of Red Wing, Minnesota
Statement of Net Position
Proprietary Funds (Continued)
December 31, 2018

	Business-type Activities-Enterprise Funds			
	600	601/651/ 319/488	602/650/317 320/322/323/ 402/490/492	603/307/326/ 403/406
	Refuse Collection & Recycling	Water Utility	Sewer Utility	Solid Waste Campus
Liabilities				
Current Liabilities				
Accounts payable	\$ 3,408	\$ 45,825	\$ 75,842	\$ 95,613
Contracts payable	-	-	-	25,582
Due to other funds	-	-	-	-
Advances from other funds - current portion	-	-	-	-
Due to other governments	27,008	129,128	-	5,475
Accrued interest payable	-	49,189	21,668	30,794
Salaries payable	24,770	25,384	30,015	23,317
Compensated absences payable - current portion	54,531	69,933	99,117	35,891
Unearned revenue	-	-	-	-
G.O. revenue bonds payable - current portion	-	913,000	397,000	205,000
Total Current Liabilities	<u>109,717</u>	<u>1,232,459</u>	<u>623,642</u>	<u>421,672</u>
Noncurrent Liabilities				
Compensated absences payable	67,959	99,030	90,458	44,807
Other postemployment benefits obligation	220,092	199,514	222,815	95,911
Advances from other funds	-	-	-	1,000,000
G.O. revenue bonds payable	-	3,915,000	1,927,000	2,537,144
Pension liability	903,802	973,763	1,154,567	728,184
Total Noncurrent Liabilities	<u>1,191,853</u>	<u>5,187,307</u>	<u>3,394,840</u>	<u>4,406,046</u>
Total Liabilities	<u>1,301,570</u>	<u>6,419,766</u>	<u>4,018,482</u>	<u>4,827,718</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>241,414</u>	<u>260,102</u>	<u>308,396</u>	<u>194,505</u>
Net Position				
Net investment in capital assets	858,847	16,784,683	21,832,780	9,100,960
Restricted for ash landfill	-	-	-	472,538
Unrestricted	<u>737,899</u>	<u>1,795,203</u>	<u>(100,589)</u>	<u>(577,383)</u>
Total Net Position	<u>\$ 1,596,746</u>	<u>\$ 18,579,886</u>	<u>\$ 21,732,191</u>	<u>\$ 8,996,115</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
605 Marina	610 Ambulance	652 Storm Water	Total	
\$ 6,783	\$ 10,314	\$ 375,136	\$ 612,921	\$ 768,647
-	-	-	25,582	-
265,193	432,269	-	697,462	72,259
95,000	-	-	95,000	-
-	10,255	-	171,866	-
-	-	-	101,651	-
3,714	40,645	4,558	152,403	133,309
7,346	89,399	8,059	364,276	926,104
1,018	-	-	1,018	-
-	-	-	1,515,000	-
<u>379,054</u>	<u>582,882</u>	<u>387,753</u>	<u>3,737,179</u>	<u>1,900,319</u>
9,087	105,217	9,799	426,357	816,474
25,387	231,091	23,055	1,017,865	-
257,114	-	-	1,257,114	-
-	-	-	8,379,144	-
136,324	1,091,101	151,579	5,139,320	-
<u>427,912</u>	<u>1,427,409</u>	<u>184,433</u>	<u>16,219,800</u>	<u>816,474</u>
<u>806,966</u>	<u>2,010,291</u>	<u>572,186</u>	<u>19,956,979</u>	<u>2,716,793</u>
<u>36,413</u>	<u>2,111,013</u>	<u>40,488</u>	<u>3,192,331</u>	<u>-</u>
319,157	690,854	1,084,130	50,671,411	297,601
-	-	-	472,538	-
<u>(758,658)</u>	<u>(1,748,143)</u>	<u>2,445,056</u>	<u>1,793,385</u>	<u>3,738,476</u>
<u>\$ (439,501)</u>	<u>\$ (1,057,289)</u>	<u>\$ 3,529,186</u>	52,937,334	<u>\$ 4,036,077</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(799,233)</u>	
Net Position of Business-type Activities			<u>\$ 52,138,101</u>	

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

City of Red Wing, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities-Enterprise Funds			
	600 Refuse Collection & Recycling	601/651/ 319/488 Water Utility	602/650/317 320/322/323/ 402/490/492 Sewer Utility	603/307/326/ 403/406 Solid Waste Campus
Operating Revenues				
Charges for services	\$ 2,497,164	\$ 3,246,933	\$ 4,886,287	\$ 2,040,371
Sales	-	-	-	-
Cost of goods sold	-	-	-	-
Miscellaneous	46,459	140,319	59,938	5,572
Total Operating Revenues	<u>2,543,623</u>	<u>3,387,252</u>	<u>4,946,225</u>	<u>2,045,943</u>
Operating Expenses				
Personal services	692,973	760,584	910,255	579,442
Employee benefits	310,145	239,051	297,343	162,793
Supplies	210,965	302,047	926,614	370,862
Cost of merchandise sold	-	-	-	-
Professional services	68,386	232,998	672,642	1,352,895
Rent and leased equipment	-	35,930	959	40,172
Repairs and maintenance	165,264	86,796	280,008	131,748
Administration and fiscal charges	797,117	443,506	551,540	65,152
Insurance premiums	11,338	21,391	51,736	18,045
Insurance claims	-	-	-	-
Depreciation	208,269	653,324	787,290	367,143
Miscellaneous	635	44,718	12,981	21,240
Total Operating Expenses	<u>2,465,092</u>	<u>2,820,345</u>	<u>4,491,368</u>	<u>3,109,492</u>
Operating Income (Loss)	<u>78,531</u>	<u>566,907</u>	<u>454,857</u>	<u>(1,063,549)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental				
State grant	-	-	-	-
Investment income	12,326	27,986	962	20,805
Rents and leases	-	117,241	-	-
Refunds	-	1,413	-	1,488,866
Miscellaneous	-	81,040	103,156	713,941
Gain (loss) on sale of capital assets	(5,922)	1,020	1,050	17,500
Interest and fiscal charges	-	(152,087)	(66,960)	(84,761)
Amortization expense	-	-	-	17,282
Total Nonoperating Revenues (Expenses)	<u>6,404</u>	<u>76,613</u>	<u>38,208</u>	<u>2,173,633</u>
Income (Loss) Before Contributions and Transfers	84,935	643,520	493,065	1,110,084
Capital Contributions From Other Funds	-	29,275	192,865	-
Capital Grants and Contributions	-	-	-	250,000
Transfers In	-	-	5,731	-
Transfers Out	<u>(5,731)</u>	<u>(69,231)</u>	<u>(69,231)</u>	<u>(63,253)</u>
Change in Net Position	79,204	603,564	622,430	1,296,831
Net Position, January 1 as Restated (Note 11)	<u>1,517,542</u>	<u>17,976,322</u>	<u>21,109,761</u>	<u>7,699,284</u>
Net Position, December 31	<u>\$ 1,596,746</u>	<u>\$ 18,579,886</u>	<u>\$ 21,732,191</u>	<u>\$ 8,996,115</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
605 Marina	610 Ambulance	652 Storm Water	Total	
\$ 561,607	\$ 2,089,787	\$ 1,334,966	\$ 16,657,115	\$ 11,476,907
130,270	-	-	130,270	-
(109,329)	-	-	(109,329)	-
1,043	-	1,160	254,491	66,296
<u>583,591</u>	<u>2,089,787</u>	<u>1,336,126</u>	<u>16,932,547</u>	<u>11,543,203</u>
142,263	1,117,170	131,950	4,334,637	3,912,621
39,813	311,500	-	1,360,645	5,851,614
14,610	111,014	86,618	2,022,730	732,347
-	-	-	-	725,356
112,903	238,598	350,748	3,029,170	811,705
1,940	-	-	79,001	22,207
23,988	38,272	-	726,076	122,836
65,847	12,944	-	1,936,106	145,194
1,406	10,756	-	114,672	340,518
-	-	-	-	31,000
32,046	101,537	58,500	2,208,109	67,618
20,308	760	-	100,642	285,287
<u>455,124</u>	<u>1,942,551</u>	<u>627,816</u>	<u>15,911,788</u>	<u>13,048,303</u>
<u>128,467</u>	<u>147,236</u>	<u>708,310</u>	<u>1,020,759</u>	<u>(1,505,100)</u>
-	9,760	-	9,760	-
-	-	20,023	82,102	71,663
-	-	-	117,241	-
-	2,686	-	1,492,965	-
-	(1,371)	-	896,766	-
-	6,902	-	20,550	4,000
(10,388)	-	-	(314,196)	-
-	-	-	17,282	-
<u>(10,388)</u>	<u>17,977</u>	<u>20,023</u>	<u>2,322,470</u>	<u>75,663</u>
118,079	165,213	728,333	3,343,229	(1,429,437)
-	-	-	222,140	-
-	118,812	-	368,812	-
-	-	-	5,731	290,858
<u>(150,388)</u>	<u>-</u>	<u>(5,731)</u>	<u>(363,565)</u>	<u>(154,997)</u>
(32,309)	284,025	722,602	3,576,347	(1,293,576)
<u>(407,192)</u>	<u>(1,341,314)</u>	<u>2,806,584</u>	<u>49,360,987</u>	<u>5,329,653</u>
<u>\$ (439,501)</u>	<u>\$ (1,057,289)</u>	<u>\$ 3,529,186</u>	<u>\$ 52,937,334</u>	<u>\$ 4,036,077</u>
Changes in net position as shown above			\$ 3,576,347	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(572,366)</u>	
Changes in net position of business-type activities			<u>\$ 3,003,981</u>	

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

City of Red Wing, Minnesota
Statement of Cash Flows
Proprietary Funds (Continued on the Following Pages)
For the Year Ended December 31, 2018

	Business-type Activities-Enterprise Funds			
	600	601/651/	602/650/317	603/307/326/
	Refuse	Collection	320/322/323/	403/406
	& Recycling	Water Utility	Sewer Utility	Solid Waste
		319/488	402/490/492	Campus
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 2,480,837	\$ 3,219,255	\$ 4,846,093	\$ 1,912,150
Receipts from interfund services provided	-	-	-	-
Payments to vendors and suppliers	(1,308,466)	(1,155,841)	(2,504,631)	(2,030,311)
Payments to and on behalf of employees	(1,039,261)	(1,087,820)	(1,256,477)	(783,753)
Other receipts	46,459	340,013	163,094	2,208,379
Net Cash Provided (Used) by Operating Activities	<u>179,569</u>	<u>1,315,607</u>	<u>1,248,079</u>	<u>1,306,465</u>
Cash Flows From Noncapital Financing Activities				
Loan payments received	-	-	-	-
Loans made	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Transfers from other funds	-	-	5,731	-
Transfers to other funds	(5,731)	(69,231)	(69,231)	(63,253)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(5,731)</u>	<u>(69,231)</u>	<u>(63,500)</u>	<u>(63,253)</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants received	-	-	-	250,000
Proceeds from sale of capital assets	-	1,020	1,050	17,500
Principal paid on bonds and leases	-	(888,000)	(475,159)	(2,855,000)
Interest and fiscal charges paid on bonds and leases	-	(161,134)	(71,763)	(149,346)
Payments for acquisition and construction of capital assets	-	(102,310)	(302,089)	(2,275,444)
Increase (decrease) in due to other funds	-	-	-	-
Principal paid on advances from other funds	-	-	-	-
Interest paid on advances from other funds	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(1,150,424)</u>	<u>(847,961)</u>	<u>(5,012,290)</u>
Cash Flows From Investing Activities				
Interest receipts	<u>12,326</u>	<u>27,986</u>	<u>962</u>	<u>20,444</u>
Net Increase (Decrease) in Cash and Cash Equivalents	186,164	123,938	337,580	(3,748,634)
Cash and Cash Equivalents, January 1	<u>1,473,875</u>	<u>2,568,902</u>	<u>614,122</u>	<u>5,294,072</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,660,039</u>	<u>\$ 2,692,840</u>	<u>\$ 951,702</u>	<u>\$ 1,545,438</u>

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

Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
605 Marina	610 Ambulance	652 Storm Water	Total	
\$ 590,430	\$ 1,809,415	\$ 1,329,846	\$ 16,188,026	\$ -
-	-	-	-	11,548,412
(239,811)	(414,068)	(448,090)	(8,101,218)	(2,821,271)
(185,573)	(1,573,213)	(172,877)	(6,098,974)	(10,097,729)
1,043	1,175	1,160	2,761,323	66,296
<u>166,089</u>	<u>(176,691)</u>	<u>710,039</u>	<u>4,749,157</u>	<u>(1,304,292)</u>
-	-	-	-	18,358
-	-	-	-	(18,605)
-	-	-	-	72,259
-	-	-	5,731	290,858
<u>(150,388)</u>	<u>-</u>	<u>(5,731)</u>	<u>(363,565)</u>	<u>(154,997)</u>
<u>(150,388)</u>	<u>-</u>	<u>(5,731)</u>	<u>(357,834)</u>	<u>207,873</u>
-	118,812	-	368,812	-
-	6,902	-	26,472	4,000
-	-	-	(4,218,159)	-
-	-	-	(382,243)	-
(51,002)	(171,917)	(165,959)	(3,068,721)	(11,325)
135,689	222,894	-	358,583	-
(90,000)	-	-	(90,000)	-
<u>(10,388)</u>	<u>-</u>	<u>-</u>	<u>(10,388)</u>	<u>-</u>
<u>(15,701)</u>	<u>176,691</u>	<u>(165,959)</u>	<u>(7,015,644)</u>	<u>(7,325)</u>
-	-	19,576	81,294	70,431
-	-	557,925	(2,543,027)	(1,033,313)
-	-	2,230,856	12,181,827	7,321,362
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,788,781</u>	<u>\$ 9,638,800</u>	<u>\$ 6,288,049</u>

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

City of Red Wing, Minnesota
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2018

	Business-type Activities-Enterprise Funds			
	600	601/651/	602/650/317	603/307/326/
	Refuse	319/488	320/322/323/	403/406
	Collection	Water Utility	402/490/492	Solid Waste
	& Recycling		Sewer Utility	Campus
Reconciliation of Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 78,531	\$ 566,907	\$ 454,857	\$ (1,063,549)
Adjustments to reconcile operating income (loss) to				
net cash provided (used) by operating activities				
Other income related to operations	-	199,694	103,156	2,202,807
Depreciation	208,269	653,324	787,290	367,143
(Increase) decrease in assets				
Accounts receivable	(9,411)	(20,228)	(31,360)	(122,649)
Inventories	-	(26,544)	(10,723)	-
Prepaid items	15	-	798	(15)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	113,243	123,590	140,482	90,328
Deferred other postemployment benefit resources	(6,417)	(5,817)	(6,497)	(2,797)
Increase (decrease) in liabilities				
Accounts payable	(55,177)	(1,251)	1,774	(31,606)
Contracts payable	-	-	-	-
Due to other governments	401	39,340	-	1,424
Salaries payable	1,884	6,229	6,654	9,820
Compensated absences payable	(3,277)	(19,502)	8,250	1,398
Other postemployment benefits obligation	34,819	4,633	8,365	(2,327)
Pension liability	(169,109)	(188,069)	(200,520)	(132,874)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(14,202)	(16,699)	(14,447)	(10,638)
Net Cash Provided (Used) by Operating Activities	<u>\$ 179,569</u>	<u>\$ 1,315,607</u>	<u>\$ 1,248,079</u>	<u>\$ 1,306,465</u>
Schedule of Noncash Financing and Investing Activities				
Book value of disposed/traded capital assets	\$ 5,922	\$ -	\$ -	\$ -
Capital assets acquired on account	\$ -	\$ -	\$ -	\$ 25,582
Capital assets contributed by other funds	\$ -	\$ 29,275	\$ 192,865	\$ -
Amortization of bond (premium) discount	\$ -	\$ -	\$ -	\$ (17,282)
Bad debt write off	\$ -	\$ -	\$ -	\$ -

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

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
605 Marina	610 Ambulance	652 Storm Water	Total	
\$ 128,467	\$ 147,236	\$ 708,310	\$ 1,020,759	\$ (1,505,100)
-	11,075	-	2,516,732	-
32,046	101,537	58,500	2,208,109	67,618
8,925	(280,372)	(3,960)	(459,055)	42,410
(4,238)	-	-	(41,505)	(59,439)
498	-	-	1,296	(54)
16,300	451,320	22,748	958,011	-
(740)	(6,738)	(672)	(29,678)	-
4,931	(5,726)	9,305	(77,750)	68,306
-	-	(20,029)	(20,029)	-
-	4,002	-	45,167	-
1,249	12,279	1,860	39,975	41,312
2,143	(14,604)	(8,941)	(34,533)	40,655
570	5,424	(9,083)	42,401	-
(22,610)	(283,140)	(42,297)	(1,038,619)	-
(1,452)	(318,984)	(5,702)	(382,124)	-
<u>\$ 166,089</u>	<u>\$ (176,691)</u>	<u>\$ 710,039</u>	<u>\$ 4,749,157</u>	<u>\$ (1,304,292)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,557</u>	<u>\$ 386,139</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,140</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,282)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 2,088,967</u>	<u>\$ -</u>	<u>\$ 2,088,967</u>	<u>\$ -</u>

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

City of Red Wing, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	<u>Agency</u>
Assets	
Cash and investments	\$ 1,365,454
Assets held in endowment	3,111,879
Receivables	
Interest	873
Accounts	60,948
Intergovernmental	6,284
Other assets	<u>80,598</u>
Total Assets	<u><u>\$ 4,626,036</u></u>
Liabilities	
Accounts payable	\$ 288,878
Due to other governments	3,647,079
Salaries payable	75,022
Compensated absences payable	52,456
Other liabilities	<u>562,601</u>
Total Liabilities	<u><u>\$ 4,626,036</u></u>

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

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

The City was incorporated on March 4, 1857. The City operates under a weak Mayor form of government. The voters of the City at Large elect the Mayor for four years on a part-time basis. The City is divided into four wards. Voters of each ward elect one member of the City Council for four years on a part-time basis. Two additional members are elected to serve as members who represent two of the four wards. The voters of the City at Large elect an additional member of the City Council. The Mayor has veto power, which the City Council may supersede with a vote of five members. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the government-wide (see note below for description) financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Port Authority of the City of Red Wing (the Authority) was created pursuant to Minnesota statutes 469.090 through 469.108. The Authority is governed by seven commissioners, recommended by the Mayor, and appointed by the City Council. The Port Authority is a legally separate entity with separate corporate powers whose sole purpose is to encourage and precipitate future development within the City so as to increase the tax base, promote employment, and enhance the health, safety, and welfare of the City residents. The Port Authority is presented as a discretely presented component unit since the City can impose its will on the entity, the Board makeup of the entity is not substantially the same as the City Commission and no financial benefit exists between the two entities. The Port Authority does not issue separate financial statements.

Related Organizations. *Red Wing Housing and Redevelopment Authority (the HRA).* The City Council is also responsible for appointing the members of the HRA, but the City's accountability for the HRA does not extend beyond making the appointments. Audited financial statements are available upon request from the HRA offices located at 428 West 5th Street, Red Wing, MN, 55066.

Red Wing Fire Relief Association (the Association). The Association was organized as a non-profit organization by its members to provide pension and other benefits to its members in accordance with Minnesota statutes. In 1987, the State Legislature created the Police and Fire Consolidation Fund (PFCF) to authorize on a voluntary basis, any local police or salaried fire fighters relief association and their respective municipality to effect the consolidation of the local relief association with The Public Employees Retirement Association (PERA). PERA is considered part of the State of Minnesota's financial reporting entity. The Association consolidated with PERA effective December 31, 1989. The local relief association retained funds associated with the City's volunteer fire fighters. Management of the Association is by a group of trustees elected by the membership. The City has no oversight or fiscal responsibilities related to the Association.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Fiduciary fund financial statements have no measurement focus and use 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 as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The *PERA Perpetual fund* accounts for the proceeds of the PERA refund from the State, ninety percent of the interest upon which is to be used to fund various police and fire activities.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Improvement Assessment fund* accounts for levied assessments and municipal State aid for improvements made to specific projects.

The *Spring Creek and Highway 61 Access fund* accounts for funds received and capital expenditures incurred for the Spring Creek/Highway 61 Access project.

The *Public Safety Center fund* accounts for funds received and capital expenditures incurred in the construction of a Public Safety Center.

The City reports the following major proprietary funds:

The *Refuse Collection & Recycling fund* is used to account for all fees collected from refuse/recycling portion of the customer's utility bill for all expenses of operating this system.

The *Water Utility fund* is used to account for all fees collected from customers connected to the City water system and for all expenses of operating the system.

The *Sewer Utility fund* is used to account for all fees collected from the customers connected to the City sewer system and for all expenses of operating the system.

The *Solid Waste Campus fund* is used to account for all fees collected from customers using the facilities for disposal of refuse and for all expenses of operating the system.

The *Marina fund* is used to account for all fees collected from customers using the marina and for all expenses related to operating the facility.

The *Ambulance fund* is used to account for all fees collected from customers using the City's ambulance service and for all expenses related to operating the ambulance activities.

The *Storm Water fund* is used to account for all fees collected from customers benefitting from the City's storm water system and for all expenses of operating the system.

Additionally, the City reports the following fund types:

Internal service funds account for the financing of goods and services provided by one department of the City, to other departments on a cost reimbursement basis. Internal service fund activities include administrative services, central services, insurance (risk management), information technology, postemployment benefits and engineering.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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.

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

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

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

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

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

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 90 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2018:

- U.S. government agency securities of \$61,064,201 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$6,281,137 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Investment Policy

The investments of the City shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer of business sector (excluding U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow objective, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase. The investment officer shall consider weighted average maturity limitations consistent with the investment objective being satisfied.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

City Council adopts a proposed budget and certifies its proposed property tax levy for the following year in September. Public hearings are held and the final property tax levy is adopted. The City certifies the final adopted property taxes to the Goodhue County Auditor in December. The majority of the City's property tax revenue is paid by Xcel Energy, which operates the Prairie Island Nuclear Generating Plant. In Minnesota, the Counties act as the collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Taxpayers in two equal installments, on May 15 and October 15, may pay real property taxes. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other local governmental units three times annually, in January, July and December.

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts in the General fund was \$10,000 and enterprise funds were \$741,719 as of December 31, 2018.

Loans to Other Funds, Loans Receivable and Loans to Other Governments

Noncurrent portions of long-term interfund loan receivables, loans receivable and loans to other governments are equally offset by a fund balance nonspendable account in applicable governmental funds to indicate that they do not constitute available spendable resources.

Special Assessments

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

Once a special assessment roll is adopted by the City Council, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of the 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 the 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 homestead, agriculture, or seasonal recreation land, in which event the property is subject to sale after five years.

Special assessments receivable consist of unapportioned, delinquent, and noncurrent special assessments. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method except for inventories of supplies which are reported at cost.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Land Held for Resale

The Red Wing Port Authority, a discretely presented component unit, acquires land for subsequent resale for development purposes. Land held for resale is reported as an asset at the estimated historical cost in the governmental fund that acquired it.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water pipes, sewer pipes, and similar items and networks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land	\$ 1
Land Improvements	25,000
Buildings and Building Improvements	50,000
Machinery, Equipment and Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

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

Assets	Years
Land Improvements	10 - 25
Buildings and Building Improvements	5 - 50
Machinery, Equipment and Vehicles	5 - 20
Infrastructure	10 - 100

Deferred Outflows of Resources

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

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

The compensated absences liability includes earned, but unpaid, vacation and compensatory time, and vested sick leave.

Unionized employees earn vacation based on years of service and their bargaining unit. Union personnel vacation accruals may be accumulated, to a maximum, as follows:

Fire Captains	576 hours
Fire Fighters	576 hours
Police Supervisors	400 hours
Police Officers	400 hours
Utility Employees	400 hours
Public Works	400 hours
Clerical and Technical	400 hours
Police Clerical	400 hours

Non-union employees earn vacation based on their years of service to a maximum accrual of 400 hours.

Sick leave is earned up to a 1,000 hour cap, at the rate of 10 hours per month to a maximum of 15 days per year. After an accumulation of 1,000 hours, sick leave is earned at the rate of 2 hours per month to a maximum of 3 days per year. Sick leave may be accumulated indefinitely. Terminated employees receive severance pay based upon unused sick leave. The financial statements reflect accumulated sick leave that may be compensated.

The compensated absences for proprietary funds are reported as liabilities of the fund that is responsible for the obligation. Compensated absences for governmental funds are reported in the Postemployment Benefits internal service fund. Compensated absences reported in this fund are fully funded by the applicable General or special revenue funds.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2018. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The total pension expense for the GERF, PEPFF, PEDCP and Red Wing Fire Department Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERF	PEPFF	PEDCP		
Pension Expense	\$ 323,176	\$ 211,943	\$ 1,295	\$ 29,653	\$ 566,067

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statements of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations.

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact.

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the year commencing the following January. The operating budget includes proposed expenditures and means of financing them.
2. The budget is legally enacted through the passage of a City Council Resolution.
3. The City Council may authorize the transfer of budgeted amounts between departments within any fund.
4. Formal budgetary integration is employed as a management control device during the year for the General fund and certain special revenue funds. Formal budgetary integration is not employed for the debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for capital projects funds is accomplished through the use of project controls.
5. Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with City Charter requirements. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically infer that it will be expended. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessitated, and (3) funds are available.

The City Council adopts the annual budget. During the budget year, supplemental appropriations are authorized by the City Council. These amounts, shown in the financial statements as "Original Budget", represent the originally adopted budget and that labeled "Final Budget" includes all amendments made during the year by the City Council. Budget amendments were made to various funds resulting in an increase in appropriations to the General fund of \$2,405,668, an increase of \$22,258 in the Airport special revenue fund and an increase of \$76,116 to the Library special revenue fund.

The City does not use encumbrance accounting.

All appropriations, which are not expended, encumbered, or restricted, lapse at year-end.

Budgets for the General and certain special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

The following budgeted special revenue fund had expenditures in excess of budget for the year ended December 31, 2018:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
DEED Loan	\$ 3,000	\$ 239,102	\$ 236,102
Tax Increment District # 7.1	126,000	130,729	4,729

Excess expenditures in the above fund were funded by actual revenues in excess of budgeted amounts.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2018:

Fund	Amount
Capital Projects	
Spring Creek/TH 61 Access Project	\$ 1,157,524
Oakwood Cemetery Renewal Project	75,032
Parkland Acquisition	7,700
2017 Street Reconstruction Project	9,559
2019 Street Reconstruction Project	30,137
2020 Street Reconstruction Project	30,137
Memorial Park Improvements	26,165
Highway 63 River Crossing Bridge	22,455
Old West Main Reconstruction	4,653
Street and Alley Improvements	17,561
Proprietary Funds	
Marina	439,501
Ambulance	1,057,289

It is anticipated the capital projects fund deficits will be eliminated through transfers from other funds, future contributions and future intergovernmental grants.

It is anticipated the Marina fund deficit will be eliminated by future charges.

It is anticipated the Ambulance fund deficit, which is due to pension and OPEB liabilities, will be eliminated by future charges.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds or irrevocable standby letters of credit from Federal Home Loan Banks. Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year-end, the City's carrying amount of deposits was \$1,515,736, including \$1,109,263 reported in agency funds. The bank balance was \$3,095,809. The bank balance was covered by federal depository insurance of \$255,542 and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name. The primary government and component unit's deposits and investments are pooled.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2018 the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Minnesota Municipal Money Market (4M) Fund	N/A	less than 6 months	\$ 312		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	4,579,474		
St. Paul Foundation	N/A	less than 6 months	3,663,607		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 year to 3 years	30,800,285	\$ 30,800,285	\$ -
Government Agency Securities	AAA	more than 3 years	30,263,916	30,263,916	-
Negotiable Certificates of Deposit	N/A	less than 6 months	294,574	-	294,574
Negotiable Certificates of Deposit	N/A	6 months to 1 year	1,614,596	-	1,614,596
Negotiable Certificates of Deposit	N/A	1 year to 3 years	3,187,598	-	3,187,598
Negotiable Certificates of Deposit	N/A	more than 3 years	1,184,369	-	1,184,369
Total Investments			\$ 75,588,731	\$ 61,064,201	\$ 6,281,137

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

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

There were no Level 3 investments in current year and therefore was not necessary to include.

N/A indicates not applicable or available.

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

- **Credit Risk.** The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments to the list on page 80 of the notes.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- **Concentration of Credit Risk.** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2018, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investment.
- **Interest Rate Risk.** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$2,425.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

	Primary Government	Component Unit Port Authority	Fiduciary Funds	Totals
Deposits	\$ (272,352)	\$ 678,825	\$ 1,109,263	\$ 1,515,736
Investments	71,117,266	1,104,395	3,367,070	75,588,731
Cash on Hand	1,425	-	1,000	2,425
Total	<u>\$ 70,846,339</u>	<u>\$ 1,783,220</u>	<u>\$ 4,477,333</u>	<u>\$ 77,106,892</u>
Cash and Investments	\$ 70,294,611	\$ 1,783,220	\$ 1,365,454	\$ 73,443,285
Assets Held in Endowment	551,728	-	3,111,879	3,663,607
Total	<u>\$ 70,846,339</u>	<u>\$ 1,783,220</u>	<u>\$ 4,477,333</u>	<u>\$ 77,106,892</u>

B. Assets Held in Endowment

Assets held in endowment at December 31, 2018 were \$3,663,607. The Saint Paul Foundation holds these assets in accounts for the Library special revenue fund and the Sheldon Auditorium agency fund. The balances at December 31, 2018 are \$551,728 and \$3,111,879, respectively. Variance power has not been granted to the Saint Paul Foundation. The assets are not available for immediate expenditure. Limited amounts are annually distributed from the Foundation when net income or principal or both meet the criteria as determined by the Foundation's spending policy, at such times as the Foundation deems appropriate.

C. Loans Receivable

Specific special revenue funds make installment loans to promote economic development within the City. Economic development loans receivable of \$188,940 and \$1,184,146 are reported as assets in the primary government and component unit, respectively:

Fund	Amount
Primary Government	
Special revenue	
DTED Loan	\$ 170,139
Internal service	
Risk Management	18,801
Total Governmental Activities	<u>\$ 188,940</u>
Component Unit	
Industrial Loan	\$ 1,005,079
Intermediary Relending	179,067
Total Component Unit	<u>\$ 1,184,146</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 9,097,551	\$ -	\$ -	\$ 9,097,551
Construction in progress	49,799,099	16,183,585	(28,866,931)	37,115,753
Total Capital Assets not Being Depreciated	<u>58,896,650</u>	<u>16,183,585</u>	<u>(28,866,931)</u>	<u>46,213,304</u>
Capital Assets Being Depreciated				
Buildings	30,891,223	1,196,632	-	32,087,855
Improvements other than buildings	15,575,486	12,364,262	-	27,939,748
Machinery and equipment	1,955,045	696,384	(71,000)	2,580,429
Office equipment	1,360,197	-	(96,705)	1,263,492
Vehicles	11,434,229	1,627,047	(634,874)	12,426,402
Infrastructure	43,798,330	16,584,074	-	60,382,404
Total Capital Assets Being Depreciated	<u>105,014,510</u>	<u>32,468,399</u>	<u>(802,579)</u>	<u>136,680,330</u>
Less Accumulated Depreciation For				
Buildings	(21,685,031)	(526,991)	-	(22,212,022)
Improvements other than buildings	(12,036,377)	(309,492)	-	(12,345,869)
Machinery and equipment	(1,277,820)	(107,974)	71,000	(1,314,794)
Office equipment	(1,070,910)	(55,975)	96,705	(1,030,180)
Vehicles	(7,268,486)	(1,037,275)	595,493	(7,710,268)
Infrastructure	(30,837,042)	(2,548,764)	-	(33,385,806)
Total Accumulated Depreciation	<u>(74,175,666)</u>	<u>(4,586,471)</u>	<u>763,198</u>	<u>(77,998,939)</u>
Total Capital Assets Being Depreciated, Net	<u>30,838,844</u>	<u>27,881,928</u>	<u>(39,381)</u>	<u>58,681,391</u>
Governmental Activities Capital Assets, Net	<u>\$ 89,735,494</u>	<u>\$ 44,065,513</u>	<u>\$ (28,906,312)</u>	<u>\$ 104,894,695</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 214,980	\$ -	\$ -	\$ 214,980
Construction in progress	10,220,635	1,763,594	-	11,984,229
Total Capital Assets not Being Depreciated	10,435,615	1,763,594	-	12,199,209
Capital Assets Being Depreciated				
Buildings	33,698,962	245,745	-	33,944,707
Improvements other than buildings	13,814,692	683,058	-	14,497,750
Machinery and equipment	2,727,327	30,590	-	2,757,917
Vehicles	6,811,123	301,041	(270,794)	6,841,370
Infrastructure	28,305,606	222,140	-	28,527,746
Total Capital Assets Being Depreciated	85,357,710	1,482,574	(270,794)	86,569,490
Less Accumulated Depreciation for				
Buildings	(10,107,214)	(658,143)	-	(10,765,357)
Improvements other than buildings	(7,584,108)	(309,605)	-	(7,893,713)
Machinery and equipment	(2,217,825)	(96,305)	-	(2,314,130)
Vehicles	(4,189,142)	(626,041)	270,794	(4,544,389)
Infrastructure	(12,167,540)	(518,015)	-	(12,685,555)
Total Accumulated Depreciation	(36,265,829)	(2,208,109)	270,794	(38,203,144)
Total Capital Assets Being Depreciated, Net	49,091,881	(725,535)	-	48,366,346
Business-type Activities Capital Assets, Net	<u>\$ 59,527,496</u>	<u>\$ 1,038,059</u>	<u>\$ -</u>	<u>\$ 60,565,555</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 130,078
Public safety	409,152
Public works	3,222,727
Culture and recreation	552,239
Economic development	50,582
Miscellaneous	
Airport	95,505
Cemeteries	58,570
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>67,618</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,586,471</u></u>

Business-type Activities

Refuse collection and recycling	\$ 208,269
Water utility	653,324
Sewer utility	787,290
Solid waste campus	367,143
Marina	32,046
Ambulance	101,537
Storm water utility	<u>58,500</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 2,208,109</u></u>

Component Unit

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit Activities				
Capital Assets not Being Depreciated				
Land	<u>\$ 175,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,042</u>
Capital Assets Being Depreciated				
Improvements other than buildings	872,479	-	-	872,479
Less Accumulated Depreciation for				
Improvements other than buildings	<u>(502,811)</u>	<u>(8,007)</u>	<u>-</u>	<u>(510,818)</u>
Total Capital Assets				
Being Depreciated, Net	<u>369,668</u>	<u>(8,007)</u>	<u>-</u>	<u>361,661</u>
Governmental Activities				
Capital Assets, Net	<u><u>\$ 544,710</u></u>	<u><u>\$ (8,007)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 536,703</u></u>

Depreciation expense charged to the component unit was as follows:

Component Unit Activities

Port Authority	<u><u>\$ 8,007</u></u>
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City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2018. The projects include building improvements, transportation improvements and solid waste improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Airport Building Restoration Project	\$ 179,945	\$ 72,988
Safe Routes to School Project	852,124	4,508
Public Safety Center	4,221,137	278,426
2018 Street Reconstruction Project	1,623,707	888,669
Spring Creek and Highway 61 Access Project	3,555,736	602,407
Street Reclamation Project	766,000	58,691
Solid Waste Fire Project	1,230,071	153,167
Solid Waste Refurbishing Project	76,958	252,774
Total	<u>\$ 12,505,678</u>	<u>\$ 2,311,630</u>

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2018 is as follows:

Due from/to Other Funds

Receivable Fund	Payable Fund	Amount
General	PERA Perpetual	\$ 274,296
	Highway 61 Reconstruction	497,835
	Nonmajor governmental	947,774
	Marina enterprise	265,193
	Ambulance enterprise	432,269
	Information Services internal service	72,259
Total		<u>\$ 2,489,626</u>
Governmental activities - internal service	Business-type activities - internal service	<u>\$ 2,848,809</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The above interfund balance between the General and PERA Perpetual fund of \$274,296 is for the operating subsidy not yet remitted to the General fund. The remaining balances totaling \$1,710,802 are for temporary advances to cover cash deficits. The amount due from the governmental activities to the business-type activities of \$2,848,809 is due to the elimination of internal service fund profits and losses.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Advances to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Capital Improvement Assessment	Marina	1.80 - 3.30 %	03/24/14	11/01/21	\$ 352,114
General Fund	Solid Waste Campus	0.00	12/31/17	12/31/19	<u>1,000,000</u>
Totals					<u><u>\$ 1,352,114</u></u>

The above advance was made for the following purposes:

- Capital Improvement Assessment fund to the Marina fund for debt defeasance.
- General fund to the Solid Waste Campus fund for capital improvements to reduce on-going operating facility costs.

A summary of total future interfund loan repayments follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,095,000	\$ 7,725	\$ 1,102,725
2020	100,000	4,750	104,750
2021	<u>157,114</u>	<u>3,485</u>	<u>160,599</u>
Total	<u><u>\$ 1,352,114</u></u>	<u><u>\$ 15,960</u></u>	<u><u>\$ 1,368,074</u></u>

Due to/from Component Unit/Primary Government

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit	Primary Government	
Adjustment to reflect the consolidation of internal service fund activities to		
Port Authority - component unit		<u><u>\$ 15,072</u></u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The following transfers were made for the year ended December 31, 2018:

Fund	Transfers In							Total
	General	Debt Service	Capital Improvement Assessment	Spring Creek and Highway 61 Access	Nonmajor Governmental	Sewer Utility	Internal Service	
Transfers Out								
General	\$ -	\$ -	\$ -	\$ -	\$ 3,378,606	\$ -	\$ 220,861	\$ 3,599,467
Capital Improvement								
Assessment	-	-	-	205,544	-	-	-	205,544
PERA Perpetual	228,225	-	-	-	-	-	-	228,225
Nonmajor								
governmental	204,590	722,697	-	-	308,720	-	-	1,236,007
Refuse Collection and								
Recycling enterprise	5,731	-	-	-	-	-	-	5,731
Water Utility enterprise	69,231	-	-	-	-	-	-	69,231
Sewer Utility enterprise	69,231	-	-	-	-	-	-	69,231
Solid Waste Campus enterprise	26,300	36,953	-	-	-	-	-	63,253
Marina enterprise	-	-	100,388	-	-	-	50,000	150,388
Storm Water enterprise	-	-	-	-	-	5,731	-	5,731
Administrative Services								
internal service	-	-	-	-	-	-	19,997	19,997
Information Services								
internal service	135,000	-	-	-	-	-	-	135,000
Total	<u>\$ 738,308</u>	<u>\$ 759,650</u>	<u>\$ 100,388</u>	<u>\$ 205,544</u>	<u>\$ 3,687,326</u>	<u>\$ 5,731</u>	<u>\$ 290,858</u>	<u>\$ 5,787,805</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service fund to establish mandatory reserve accounts, 3) move unrestricted General fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The following summarizes transfers made in 2018:

- From the General fund to the following funds for operating subsidies: Airport special revenue fund (\$1,835), Library special revenue fund (\$1,039,803), Sister Cities special revenue fund (\$5,600) and Engineering internal service fund (\$220,861).
- From the PERA Perpetual fund to the General fund for operating subsidy (\$228,225).
- From the Building Inspection special revenue fund to the General fund for operating subsidy (\$74,555).

In the year ended December 31, 2018, the City made the following one-time transfers:

- From the General fund to various nonmajor capital project funds for one-time capital improvements (\$2,331,368).
- From the Capital Improvement Assessment fund to the Spring Creek and Highway 61 Access fund for one-time capital improvements (\$205,544).
- From the River Renaissance Phase II nonmajor capital project fund to the Debt Service fund to close out a portion of the project (\$722,697).
- From the 2018 Street Reconstruction Project nonmajor capital project fund to the 3rd and Bush Intersection nonmajor capital project fund for one-time capital improvements (\$159,830).
- From the River Renaissance Phase I Levee Road to Jackson Street nonmajor capital project fund to the Levee Wall Improvements nonmajor capital project fund for one-time capital improvements (\$147,640).
- From the Highway 61 Reconstruction nonmajor capital project fund to the General fund to close out a portion of the project (\$130,035).
- From the Refuse Collection and Recycling enterprise fund to the General fund for one-time capital improvements (\$5,731).
- From the Water Utility enterprise fund to the General fund for one-time capital improvements (\$69,231).
- From the Sewer Utility enterprise fund to the General fund for one-time capital improvements (\$69,231).
- From the Solid Waste Campus enterprise fund to the General fund for one-time capital improvements (\$26,300).
- From the Solid Waste Campus enterprise fund to the Debt Service fund to annual debt service requirements (\$36,953).
- From the Marina enterprise fund to the Capital Improvement Assessment fund for one-time capital improvements (\$100,388).
- From the Marina enterprise fund to the Information Services internal service fund for one-time capital improvements (\$50,000).
- From the Storm Water Utility enterprise fund to the Sewer Utility fund for one-time capital improvements (\$5,731).
- From the Information Services internal service fund to the General fund for one-time capital improvements (\$135,000).
- From the Information Services internal service fund to the Administration Services internal service fund to eliminate the fund's deficit (\$19,997).

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

F. Long-term Debt

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

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

General Obligation Bonds

The following bonds were issued to provide funding for various street reconstruction projects, street improvement projects, and improvements to City facilities. Revenue to retire this bond issue comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds of 2011A	\$ 1,835,000	0.50 - 2.60 %	11/15/11	02/01/22	\$ 785,000
G.O. Bonds of 2012A	2,375,000	0.45 - 2.15	07/12/12	02/01/23	830,000
G.O. Bonds of 2013A	2,930,000	2.00	04/24/13	02/01/24	1,800,000
G.O. Equipment Certificates of 2014A	1,115,000	1.90 - 2.25	04/23/14	02/01/24	690,000
G.O. Bonds of 2015A	7,735,000	2.00	05/13/15	02/01/26	6,290,000
G.O. Bonds of 2016A	8,525,000	2.00	08/25/16	02/01/27	7,800,000
G.O. Bonds of 2017A	6,740,000	2.00 - 4.00	05/25/17	02/01/27	6,090,000
G.O. Bonds of 2018A	13,535,000	3.00 - 5.00	04/26/18	02/01/28	13,535,000
Total G.O. Bonds					<u>\$ 37,820,000</u>

Annual debt service requirements to maturity for all general obligation bonds are as follows:

Year Ending December 31	G.O. Bonds Governmental Activities		
	Principal	Interest	Total
2019	\$ 2,935,000	\$ 1,311,423	\$ 4,246,423
2020	4,240,000	1,049,833	5,289,833
2021	4,365,000	928,720	5,293,720
2022	4,465,000	806,223	5,271,223
2023	4,400,000	672,033	5,072,033
2024 - 2028	17,415,000	1,340,800	18,755,800
Total	<u>\$ 37,820,000</u>	<u>\$ 6,109,032</u>	<u>\$ 43,929,032</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Note of 2002	\$ 2,100,000	3.74 %	10/11/02	08/20/22	\$ 398,000
G.O. Water Revenue Bonds of 2004	15,283,450	2.82	06/24/04	08/20/23	4,828,000
G.O. Sewer Revenue Bonds of 2004	5,283,360	2.34	09/23/04	08/20/24	1,926,000
G.O. Refunding Revenue Bonds of 2017A	2,585,000	2.00 - 4.00	05/25/17	02/01/29	<u>2,585,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 9,737,000</u></u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2019	\$ 1,515,000	\$ 266,885	\$ 1,781,885
2020	1,556,000	224,318	1,780,318
2021	1,598,000	181,656	1,779,656
2022	1,641,000	138,907	1,779,907
2023	1,577,000	93,863	1,670,863
2024 - 2028	1,580,000	138,821	1,718,821
2029	270,000	3,039	273,039
Total	<u><u>\$ 9,737,000</u></u>	<u><u>\$ 1,047,489</u></u>	<u><u>\$ 10,784,489</u></u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water Utility, Sewer Utility and Solid Waste Campus funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water Utility	Sewer Utility	Solid Waste Campus
Revenues	\$ 3,387,252	\$ 4,946,225	\$ 2,045,943
Principal and Interest	1,049,134	546,922	3,004,346
Percentage of Revenues	31.0%	11.1%	146.8%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 27,305,000	\$ 13,535,000	\$ (3,020,000)	\$ 37,820,000	\$ 2,935,000
Unamortized bond premiums	1,050,125	1,474,500	23,761	2,548,386	-
Total Bonds Payable	<u>28,355,125</u>	<u>15,009,500</u>	<u>(2,996,239)</u>	<u>40,368,386</u>	<u>2,935,000</u>
Compensated Absences Payable	<u>1,701,923</u>	<u>984,876</u>	<u>(944,221)</u>	<u>1,742,578</u>	<u>926,104</u>
Pension Liability					
GERF	2,624,186	201,571	(375,935)	2,449,822	-
PEPFF	4,350,264	-	(830,295)	3,519,969	-
Total Pension Liability	<u>6,974,450</u>	<u>201,571</u>	<u>(1,206,230)</u>	<u>5,969,791</u>	<u>-</u>
OPEB Obligation	<u>665,418</u>	<u>366,775</u>	<u>(40,783)</u>	<u>991,410</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>\$ 37,696,916</u>	<u>\$ 16,562,722</u>	<u>\$ (5,187,473)</u>	<u>\$ 49,072,165</u>	<u>\$ 3,861,104</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
General obligation					
revenue bonds	\$ 13,955,159	\$ -	\$ (4,218,159)	\$ 9,737,000	\$ 1,515,000
Unamortized bond premiums	174,426	-	(17,282)	157,144	-
Total Bonds Payable	14,129,585	-	(4,235,441)	9,894,144	1,515,000
Compensated Absences Payable	825,166	343,184	(377,717)	790,633	364,276
Pension Liability					
GERF	4,803,698	191	(755,670)	4,048,219	-
PEPFF	1,374,241	-	(283,140)	1,091,101	-
Total Pension Liability	6,177,939	191	(1,038,810)	5,139,320	-
OPEB Obligation	605,131	453,870	(41,136)	1,017,865	-
Business-type Activity					
Long-term Liabilities	\$ 21,737,821	\$ 797,245	\$ (5,693,104)	\$ 16,841,962	\$ 1,879,276
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit					
Pension Liability					
GERF	\$ 136,931	\$ -	\$ (136,931)	\$ -	\$ -
OPEB Obligation	26,581	-	(26,581)	-	-
Component Unit					
Long-term Liabilities	\$ 163,512	\$ -	\$ (163,512)	\$ -	\$ -

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there were seven series of Industrial Revenue Bonds outstanding, with an aggregate principal of \$31,768,750. The balance on these bonds at December 31, 2018 was \$16,297,440.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2018, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	PERA Perpetual	Debt Service	Capital Improvement Assessment	Spring Creek and Highway 61 Access	Public Safety Center	Other Governmental Funds	Total
Nonspendable								
Prepaid items	\$ 3,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,165	\$ 4,844
Loans to other governments	60,373	-	-	-	-	-	-	60,373
Loans to other funds	1,000,000	-	-	-	-	-	-	1,000,000
Library endowment	-	-	-	-	-	-	551,728	551,728
Permanent principal endowments	-	-	-	-	-	-	1,901,297	1,901,297
Total Nonspendable	\$ 1,064,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,454,190	\$ 3,518,242
Restricted								
Debt service	\$ -	\$ -	\$ 3,820,935	\$ -	\$ -	\$ -	\$ -	\$ 3,820,935
DNR grant	7,509	-	-	-	-	-	-	7,509
Sister cities activities	-	-	-	-	-	-	1,275	1,275
Library activities	-	-	-	-	-	-	19,379	19,379
Capital projects (unspent bond proceeds)	4,862,172	-	-	662,312	-	1,276,268	3,230,951	10,031,703
Police and fire activities	27,421	8,890,125	-	-	-	-	-	8,917,546
Future loans	-	-	-	-	-	-	247,591	247,591
Tax increment activities	-	-	-	-	-	-	37,598	37,598
Cemetery perpetual	-	-	-	-	-	-	798,729	798,729
Total Restricted	\$ 4,897,102	\$ 8,890,125	\$ 3,820,935	\$ 662,312	\$ -	\$ 1,276,268	\$ 4,335,523	\$ 23,882,265
Committed								
Capital improvements	\$ 3,600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,967,968	\$ 6,567,968
Assigned								
General improvements	\$ 542,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 542,741
Future operations	-	-	-	-	-	-	704,728	704,728
Capital improvements	-	-	-	5,754,197	-	-	-	5,754,197
Total Assigned	\$ 542,741	\$ -	\$ -	\$ 5,754,197	\$ -	\$ -	\$ 704,728	\$ 7,001,666
Unassigned	\$ 20,259,408	\$ -	\$ -	\$ -	\$ (1,157,524)	\$ -	\$ (224,564)	\$ 18,877,320

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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.

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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

PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. 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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$645,793, \$599,003 and \$572,477, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were \$766,041, \$698,764 and \$669,647, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City of Red Wing reported a liability of \$6,867,916 for its proportionate share of the GERF's net pension liability of which the Sheldon Auditorium agency fund's portion was calculated at \$369,875. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$225,349. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1238 percent which was a decrease of 0.0018 percent from its proportion measured as of June 30, 2017.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

City's Proportionate Share of the Net Pension Liability	\$ 6,867,916
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>225,349</u>
Total	<u><u>\$ 7,093,265</u></u>

For the year ended December 31, 2018, the City recognized pension expense of \$270,625 for its proportionate share of GERP's pension expense of which the Sheldon Auditorium's agency fund's portion was calculated at \$39,721. In addition, the City recognized \$52,551 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP.

At December 31, 2018, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 172,423	\$ 179,049
Changes in Actuarial Assumptions	620,620	730,125
Net Difference Between Projected and Actual Earnings on Plan Investments	-	686,651
Changes in Proportion	164,417	139,865
Contributions to GERP Subsequent to the Measurement Date	<u>307,410</u>	<u>-</u>
Total	<u><u>\$ 1,264,870</u></u>	<u><u>\$ 1,735,690</u></u>

Deferred outflows of resources totaling \$307,410 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2019	\$ 221,061
2020	(301,326)
2021	(562,339)
2022	(135,626)

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$4,611,070 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.4326 percent which was a .0086 percent increase from its proportion measured June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$173,009 for its proportionate share of PEPFF's pension expense. The City also recognized \$38,934 for the year ended December 31, 2018 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 187,185	\$ 1,140,562
Changes in Actuarial Assumptions	5,978,168	6,788,096
Net Difference Between Projected and Actual Earnings on Plan Investments	-	966,176
Changes in Proportion	190,118	13,052
Contributions to PEPFF Subsequent to the Measurement Date	394,720	-
	<u>\$ 6,750,191</u>	<u>\$ 8,907,886</u>
Total		

Deferred outflows of resources totaling \$394,720 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2019	\$ 141,759
2020	(295,111)
2021	(628,600)
2022	(1,781,577)
2023	11,114

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability rates were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.0 %	5.10 %
International Stocks	17.0	5.30
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash	2.0	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)*	Current (7.50%)*	1 Percent Increase (8.50%)*
GERF			
Primary government	\$ 10,560,149	\$ 6,498,041	\$ 3,144,888
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	\$ 9,886,424	\$ 4,611,070	\$ 248,572

* Excludes Sheldon Auditorium agency fund portion

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 5: Defined Contribution Plan

Elected officials of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees' contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2018 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,295	\$ 1,295	5.00%	5.00%	5.00%

The City's contributions to the PEDCP for the years ended December 31, 2018, 2017 and 2016 were \$1,295, \$1,235 and \$1,008, respectively.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All Fire Relief Association members of the Red Wing Fire Department (the Department) are covered by a defined benefit plan administered by the Red Wing Fire Department Relief Association (the Association). As of December 31, 2018, the plan covered 21 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

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

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$115,280 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2018. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2018 were \$118,144. The City's contributions were equal to the required contributions as set by state statute, if applicable. The City made no voluntary contributions to the plan.

D. Pension Costs

At December 31, 2018, the City reported a net pension liability (asset) of (\$586,225) for the plan. The net pension liability (asset) was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA, Inc. applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2018	\$ 1,038,832	\$ 1,438,809	\$ (399,977)
Changes for the Year			
Service cost	35,023	-	35,023
Interest on pension liability (asset)	55,953	-	55,953
Projected investment return	-	81,049	(81,049)
Nonemployer contributions	-	115,830	(115,830)
(Gain)/loss	-	89,546	(89,546)
Benefit payments	(282,600)	(282,600)	-
Administrative expenses	-	(9,201)	9,201
Total Net Changes	<u>(191,624)</u>	<u>(5,376)</u>	<u>(186,248)</u>
Ending Balance December 31, 2018	<u>\$ 847,208</u>	<u>\$ 1,433,433</u>	<u>\$ (586,225)</u>

For the year ended December 31, 2018, the City recognized pension expense of \$29,653 for the plan.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, the City reported deferred inflows of resources and deferred outflows of resources and its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 11,543
Net Difference Between Projected and Actual Earnings on Plan Investments	-	30,330
Contributions to Plan Subsequent to the Measurement Date	118,144	-
	<u>118,144</u>	<u>-</u>
Total	<u>\$ 118,144</u>	<u>\$ 41,873</u>

Deferred outflows of resources totaling \$118,144 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2019	\$ 11,523
2020	2,691
2021	(30,970)
2022	(19,350)
2023	(1,444)
Thereafter	(4,323)

E. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at Age 50 With 20 Years of Service	
Salary Increases	2.50% per year
Cost of Living Increases	4.00% per year
Investment Rate of Return	6.00%
20 Year Municipal Bond Yield	3.50%

There were no changes in actuarial assumptions in 2018.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

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

The 6.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	62.00 %	7.50 %
Cash	6.00	2.25
Fixed Income	26.00	3.75
Other	6.00	6.00
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined Benefit Plan	\$ (558,194)	\$ (586,225)	\$ (611,976)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Red Wing Fire Department Relief Association, 420 Plum Street, Red Wing, MN 55066.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Post-Employment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each bargaining period. The component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report.

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	8
Active Plan Members	<u>180</u>
Total Plan Members	<u><u>188</u></u>

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2018, the City had no direct contributions to the Plan, while implicit contributions totaled \$58,587.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$2,009,275 was measured as of January 1, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2017. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30%
20-Year Municipal Bond Yield	3.30%
Dental Rate	4.00%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.25% in 2018 grading to 5.00% over 5 years

The discount rate used to measure the total OPEB liability was 3.30 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset 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 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Post-Employment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Beginning Balance January 1, 2018	\$ 1,946,677
Changes for the Year	
Service cost	99,068
Interest	65,835
Benefit payments	(102,305)
Total Net Changes	62,598
Ending Balance December 31, 2018	\$ 2,009,275

Since the prior measurement date, the following assumptions changed:

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

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

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.30 percent) or 1-percentage-point higher (4.30 percent) than the current discount rate:

1 Percent Decrease (2.3%)	Current (3.3%)	1 Percent Increase (4.3%)
\$ 2,149,229	\$ 2,009,275	\$ 1,879,160

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.25 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.25 percent increasing to 6.00 percent) than the current cost trend rate:

1 Percent Decrease (5.25% Decreasing to 4%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5%)	1 Percent Increase (7.25% Decreasing to 6%)
\$ 1,821,019	\$ 2,009,275	\$ 2,228,478

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$4,011. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to OPEB Subsequent to the Measurement Date	\$ 58,587	\$ -

Deferred outflows of resources totaling \$58,587 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 8: Other Information

A. 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

The Workers Compensation Division of LMCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. LMCIT participates in the Workers' Compensation Reinsurance Association where members selected one of four maximum per-loss occurrence retention limits, which were \$500,000, \$1,000,000, \$2,000,000 and \$5,000,000 in 2018. Should the LMCIT Workers' Compensation Division liabilities exceed assets, LMCIT may assess the City in a method and amount to be determined by LMCIT.

The Property and Casualty Division of LMCIT is self-sustaining and the City pays an annual premium to cover current and future losses. The LMCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the LMCIT Property and Casualty Division liabilities exceed assets, LMCIT may assess the City in a method and amount to be determined by LMCIT.

All funds of the City participate in the program and make payments to the Risk Management internal service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for future claims. The fund has net position of \$2,788,301 at December 31, 2018 and is reported as unrestricted net position of the Risk Management internal service fund. An estimated claims liability of \$0 reported in the fund at December 31, 2018 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City believes the liability is adequate to cover incurred but not remitted claims at year-end. The changes in the Risk Management internal service fund's claims liability for the past three years are as follows:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2018	\$ -	\$ 2,918,677	\$ 2,918,677	\$ -
2017	-	2,632,280	2,632,280	-
2016	-	2,418,654	2,418,654	-

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 8: Other Information (Continued)

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The City Attorney estimates that the unrecorded potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City entered into an agreement in 2009 with the Housing and Redevelopment Authority of the City of Red Wing to issue the City's Housing Development Bonds, Series 2009 in the amount not to exceed \$2,700,000, which is backed by the full faith and credit of the City. In the event that the Housing and Redevelopment Authority defaults on the payments, the City will be obligated to make the payments on the debt. Currently, \$2,335,000 of the debt has been issued.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2018, the City is under the legal debt margin.

D. Principal Taxpayer

Property owned by Xcel Energy located in Red Wing represents approximately 58.5 percent of the City's 2018 net tax capacity. Xcel Energy's Prairie Island Nuclear Power Plant, located in the western half of the City, became fully operational in February 1975 and produces 1,100 megawatts of electricity, making it one of the largest generating facilities in the Xcel Energy's four-state system.

E. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

F. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require the City to place a final cover on the Ash Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, \$472,538 is reported as a restricted asset in the net position of the Solid Waste Campus fund as of December 31, 2018. This amount represents the cumulative restricted assets reported to date based on the use of 85.8 percent of the estimated capacity of the landfill. The City will recognize the remaining closure and post-closure care requirement of approximately \$163,970 as the remaining estimated capacity is filled. This is a decrease of \$36,124 under the prior year amount of \$200,094. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City expects to close the landfill in the year 2027 based on the 2018 engineer's report.

The City is required by State and Federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements, and, at December 31, 2018, \$472,538 is reported as restricted assets on the Solid Waste Campus fund's balance sheet. The City expects that future inflation costs will be paid from interest earnings and annual contributions from the Solid Waste Campus fund. However, if annual contributions are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from future tax revenue.

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 9: Tax Abatements

As of December 31, 2018, the City has five agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax increment financing agreement on September 17, 2001 with a Target Corporation in which the developer incurs costs for development of a retail store. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$2,325,000 plus interest at a rate of 8% per annum over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.175) with a maximum duration of 19 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on March 28, 2005 with Central Park Condominiums, LLC in which the developer incurs costs for property improvements for condominiums. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$780,741 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1813) with a maximum duration of 15 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on June 23, 2014 with Capital Safety USA in which the developer incurs costs for a 60,000 square foot expansion of an existing business within the City. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$284,677 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812 through 469.1816) with a maximum duration of 9 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on November 24, 2008 with a Norwood Promotional Products in which the developer incurs costs for renovations and new equipment. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$90,780 over the life of the agreement and \$9,078 per year. The agreement was negotiated under state law (Minnesota Statute 469.1812 through 469.1815) with a maximum duration of 10 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on October 11, 2010 with Red Wing Shoe Company in which the developer incurs costs for creating a museum for and retail store. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$372,975 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812 through 469.1815) with a maximum duration of 15 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2018 was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of Taxes Abated During the Year
Tax Abatement Agreements			
Central Park Condominiums			\$ 26,367
Capital Safety USA			31,631
Norwood Promotional Products			9,078
Red Wing Shoe Company			24,563
Tax Increment Districts (PAYGO)			
TIF District #7.1	37.270%	\$ 142,718	53,191
Total			<u>\$ 144,830</u>

City of Red Wing, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 10: Subsequent Event

On April 1, 2019, the City awarded the sale of \$5,995,000 of 2019A General Obligation Disposal System Revenue Bonds. The bonds were issued with at a true interest cost of 2.89 percent for the purpose of improving the Solid Waste Campus including the construction of facilities and the acquisition of various items of equipment.

Note 11: Prior Period Restatement

During 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	Net Position December 31, 2017 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental Activities	\$ 111,596,335	\$ (285,409)	\$ 111,310,926
Business-type Activities	\$ 49,504,453	\$ (370,333)	\$ 49,134,120
Component Unit Port Authority	\$ 2,791,102	\$ 6,194	\$ 2,797,296
Business-type Activities			
Refuse Collection & Recycling	\$ 1,602,083	\$ (84,541)	\$ 1,517,542
Water Utility	18,046,734	(70,412)	17,976,322
Sewer Utility	21,180,382	(70,621)	21,109,761
Solid Waste Campus	7,717,004	(17,720)	7,699,284
Marina	(392,990)	(14,202)	(407,192)
Ambulance	(1,246,792)	(94,522)	(1,341,314)
Storm Water	2,824,899	(18,315)	2,806,584
Total Business-type Activities	\$ 49,731,320	\$ (370,333)	\$ 49,360,987

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Red Wing, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.1238 %	\$ 6,867,916	\$ 225,349	\$ 7,093,265	\$ 8,323,151	82.5 %	79.5 %
06/30/17	0.1256	8,018,221	100,845	8,119,066	8,083,262	99.2	75.9
06/30/16	0.1199	9,735,285	127,182	9,862,467	7,441,188	130.8	68.9
06/30/15	0.1243	6,441,871	-	6,441,871	7,304,651	88.2	78.2

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

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 645,793	\$ 645,793	\$ -	\$ 8,610,576	7.5 %
12/31/17	599,003	599,003	-	7,986,712	7.5
12/31/16	572,477	572,477	-	7,633,023	7.5
12/31/15	573,387	573,387	-	7,645,160	7.5

City of Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.4326 %	\$ 4,611,070	\$ -	\$ 4,611,070	\$ 4,559,588	101.1 %	88.8 %
06/30/17	0.4240	5,724,505	-	5,724,505	4,352,266	131.5	85.4
06/30/16	0.4190	16,815,199	-	16,815,199	4,034,376	416.8	63.9
06/30/15	0.4210	4,783,545	-	4,783,545	3,793,022	126.1	86.6

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 766,041	\$ 766,041	\$ -	\$ 4,728,647	16.2 %
12/31/17	698,764	698,764	-	4,313,361	16.2
12/31/16	669,647	669,647	-	4,133,623	16.2
12/31/15	664,038	664,038	-	4,099,002	16.2

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

City of Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability				
Service cost	\$ 35,023	\$ 31,215	\$ 32,281	\$ 29,711
Interest	55,953	54,805	50,164	52,081
Plan changes	-	85,400	-	-
Gain (loss)	-	(14,431)	-	-
Benefit payments	(282,600)	(729)	(71,869)	(52,955)
Net Change in Total Pension Liability	(191,624)	156,260	10,576	28,837
Total Pension Liability - January 1	1,038,832	882,572	871,996	843,159
Total Pension Liability - December 31 (A)	<u>\$ 847,208</u>	<u>\$ 1,038,832</u>	<u>\$ 882,572</u>	<u>\$ 871,996</u>
Plan Fiduciary Net Position				
Nonemployer contributions	115,830	112,854	111,577	103,082
Projected investment return	81,049	75,252	76,878	73,047
Gain (loss)	89,546	58,084	(168,310)	(44,168)
Benefit payments, including refunds of employee contributions	(282,600)	(729)	(71,869)	(52,955)
Administrative expenses	(9,201)	(9,580)	(13,593)	(6,307)
Net Change in Plan Fiduciary Net Position	(5,376)	235,881	(65,317)	72,699
Plan Fiduciary Net Position - January 1	1,438,809	1,202,928	1,268,245	1,195,546
Plan Fiduciary Net Position - December 31 (B)	<u>\$ 1,433,433</u>	<u>\$ 1,438,809</u>	<u>\$ 1,202,928</u>	<u>\$ 1,268,245</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	<u>\$ (586,225)</u>	<u>\$ (399,977)</u>	<u>\$ (320,356)</u>	<u>\$ (396,249)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	169.19%	138.50%	136.30%	145.44%
Covered Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

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

Notes to the Required Supplementary Information - Fire Relief Association's Net Pension Liability (Asset)

Changes in Plan Provisions

2017 - The benefit level increased from \$4,000 to \$4,400.

City of Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 118,144	\$ 118,144	\$ -
12/31/17	114,830	114,830	-
12/31/16	115,280	115,280	-
12/31/15	109,151	109,151	-
12/31/14	103,082	103,082	-

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

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

	2018
Total OPEB Liability	
Service cost	\$ 99,068
Interest	65,835
Benefit payments	(102,305)
Net Change in Total OPEB Liability	62,598
Total OPEB Liability - January 1	1,946,677
Total OPEB Liability - December 31	<u>\$ 2,009,275</u>
Covered-Employee Payroll	\$ 11,803,086
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.02%

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

Notes to the Required Supplementary Information - Total OPEB Liability

Changes in Actuarial Assumptions

2018 - The discount rate was changed from 3.50% to 3.30%. The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Red Wing, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total
Assets				
Cash and investments	\$ 1,016,427	\$ 5,779,252	\$ 2,686,637	\$ 9,482,316
Assets held in endowment	551,728	-	-	551,728
Receivables				
Accrued interest	-	-	13,389	13,389
Accounts	23,320	-	-	23,320
Loans	170,139	-	-	170,139
Intergovernmental	35,394	1,500,366	-	1,535,760
Prepaid items	1,165	-	-	1,165
Total Assets	\$ 1,798,173	\$ 7,279,618	\$ 2,700,026	\$ 11,777,817
Liabilities				
Accounts payable	\$ 63,649	\$ 359,653	\$ -	\$ 423,302
Contracts payable	-	4,922	-	4,922
Due to other funds	8,251	939,523	-	947,774
Due to other governments	102,098	-	-	102,098
Salaries payable	26,019	-	-	26,019
Unearned revenue	35,857	-	-	35,857
Total Liabilities	235,874	1,304,098	-	1,539,972
Fund Balances				
Nonspendable	552,893	-	1,901,297	2,454,190
Restricted	305,843	3,230,951	798,729	4,335,523
Committed	-	2,967,968	-	2,967,968
Assigned	704,728	-	-	704,728
Unassigned	(1,165)	(223,399)	-	(224,564)
Total Fund Balances	1,562,299	5,975,520	2,700,026	10,237,845
Total Liabilities and Fund Balances	\$ 1,798,173	\$ 7,279,618	\$ 2,700,026	\$ 11,777,817

City of Red Wing, Minnesota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total
Revenues				
Taxes	\$ 136,802	\$ -	\$ -	\$ 136,802
Licenses and permits	321,314	-	-	321,314
Intergovernmental	424,056	1,517,341	-	1,941,397
Charges for services	87,680	-	-	87,680
Fines and forfeits	9,539	-	-	9,539
Investment income (loss)	(23,911)	47,887	40,470	64,446
Miscellaneous	215,769	181,275	48,930	445,974
Total Revenues	<u>1,171,249</u>	<u>1,746,503</u>	<u>89,400</u>	<u>3,007,152</u>
Expenditures				
Current				
Public safety	244,904	-	-	244,904
Culture and recreation	1,294,953	-	-	1,294,953
Economic development	369,831	-	-	369,831
Airport	299,996	-	-	299,996
Capital outlay				
Public safety	-	1,322,603	-	1,322,603
Public works	-	4,528,381	-	4,528,381
Culture and recreation	48,308	2,297,745	-	2,346,053
Airport	-	1,840	-	1,840
Total Expenditures	<u>2,257,992</u>	<u>8,150,569</u>	<u>-</u>	<u>10,408,561</u>
Excess (Deficiency) of Revenues Over (Under)	<u>(1,086,743)</u>	<u>(6,404,066)</u>	<u>89,400</u>	<u>(7,401,409)</u>
Other Financing Sources (Uses)				
Transfers in	1,048,488	2,638,838	-	3,687,326
Bonds issued	-	5,654,867	-	5,654,867
Premium on bonds issued	-	687,031	-	687,031
Transfers out	(75,805)	(1,160,202)	-	(1,236,007)
Total Other Financing Sources (Uses)	<u>972,683</u>	<u>7,820,534</u>	<u>-</u>	<u>8,793,217</u>
Net Change in Fund Balances	(114,060)	1,416,468	89,400	1,391,808
Fund Balances, January 1	<u>1,676,359</u>	<u>4,559,052</u>	<u>2,610,626</u>	<u>8,846,037</u>
Fund Balances, December 31	<u>\$ 1,562,299</u>	<u>\$ 5,975,520</u>	<u>\$ 2,700,026</u>	<u>\$ 10,237,845</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Health Initiatives - This fund is used to account for the operations of the Live Healthy and the Safe Routes to School programs.

Airport - This fund is used to account for the operations of the Red Wing Airport.

Library - This fund is used to account for the operations of the City's library.

DEED Loan - This fund is used to account for funding received from the State of Minnesota's Department of Employment and Economic Development (DEED); the low interest loans made to qualified applicants from these funds; receipt of loan repayments and interest thereon; and the repayment of amounts due DEED.

CDBG Revolving - This fund is used to account for funding received from the State of Minnesota's Department of Employment and Economic Development (DEED) for a Community Development Block Grant (CDBG) funds which are loaned out for purposes of carrying out community development activities.

Sister Cities - This fund is used to account for monies to be used for the relationship between the City and China, Norway, and Japan.

Tax Increment District # 7.1 - This fund is used to account for tax increment financing activities related to a specific property.

Inspection - This fund is used to account for the operations of the City's building inspection operations.

Library Memorial - This fund is used to account for donations received for the City's library.

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City of Red Wing, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2018

	203	209	211	243	245
	Health Initiatives	Airport	Library	DEED Loan	CDBG Revolving
Assets					
Cash and investments	\$ -	\$ 19,445	\$ 492,925	\$ 180,915	\$ -
Assets held in endowment	-	-	551,728	-	-
Receivables					
Accounts	3,842	16,314	-	-	-
Loans	-	-	-	170,139	-
Intergovernmental	20,968	14,426	-	-	-
Prepaid items	-	1,165	-	-	-
Total Assets	\$ 24,810	\$ 51,350	\$ 1,044,653	\$ 351,054	\$ -
Liabilities					
Accounts payable	\$ 5,161	\$ 14,477	\$ 24,213	\$ 1,380	\$ -
Due to other funds	8,251	-	-	-	-
Due to other governments	-	15	-	102,083	-
Salaries payable	-	1,001	19,658	-	-
Unearned revenue	-	35,857	-	-	-
Total Liabilities	13,412	51,350	43,871	103,463	-
Fund Balances					
Nonspendable	-	1,165	551,728	-	-
Restricted	-	-	-	247,591	-
Assigned	11,398	-	449,054	-	-
Unassigned	-	(1,165)	-	-	-
Total Fund Balances	11,398	-	1,000,782	247,591	-
Total Liabilities and Fund Balances	\$ 24,810	\$ 51,350	\$ 1,044,653	\$ 351,054	\$ -

248	279	291	299	
Sister Cities	Tax Increment District # 7.1	Inspection	Library Memorial	Total
\$ 1,275	\$ 37,598	\$ 262,476	\$ 21,793	\$ 1,016,427
-	-	-	-	551,728
-	-	3,164	-	23,320
-	-	-	-	170,139
-	-	-	-	35,394
-	-	-	-	1,165
<u>\$ 1,275</u>	<u>\$ 37,598</u>	<u>\$ 265,640</u>	<u>\$ 21,793</u>	<u>\$ 1,798,173</u>
\$ -	\$ -	\$ 16,004	\$ 2,414	\$ 63,649
-	-	-	-	8,251
-	-	-	-	102,098
-	-	5,360	-	26,019
-	-	-	-	35,857
-	-	21,364	2,414	235,874
-	-	-	-	552,893
1,275	37,598	-	19,379	305,843
-	-	244,276	-	704,728
-	-	-	-	(1,165)
<u>1,275</u>	<u>37,598</u>	<u>244,276</u>	<u>19,379</u>	<u>1,562,299</u>
<u>\$ 1,275</u>	<u>\$ 37,598</u>	<u>\$ 265,640</u>	<u>\$ 21,793</u>	<u>\$ 1,798,173</u>

City of Red Wing, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	203	209	211	243	245
	Health Initiatives	Airport	Library	DEED Loan	CDBG Revolving
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental					
Federal	-	-	-	118,452	-
State	-	43,010	-	118,452	-
County	20,968	-	123,174	-	-
Charges for services					
General government	-	-	7,661	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	3,101	-	-
Fines and forfeits	-	-	9,539	-	-
Investment income (loss)	-	-	(24,332)	197	-
Miscellaneous					
Rents	-	30,000	-	-	-
Lease payments received	-	52,203	-	-	-
Contributions and donations	50,553	-	10,915	-	-
Other	-	35,860	9,883	3,663	-
Total Revenues	<u>71,521</u>	<u>161,073</u>	<u>139,941</u>	<u>240,764</u>	<u>-</u>
Expenditures					
Current					
Public safety	-	-	-	-	-
Culture and recreation	69,698	-	1,199,766	-	-
Economic development	-	-	-	239,102	-
Airport	-	299,996	-	-	-
Capital outlay					
Culture and recreation	-	-	48,308	-	-
Total Expenditures	<u>69,698</u>	<u>299,996</u>	<u>1,248,074</u>	<u>239,102</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,823</u>	<u>(138,923)</u>	<u>(1,108,133)</u>	<u>1,662</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	1,835	1,041,053	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,835</u>	<u>1,041,053</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,823	(137,088)	(67,080)	1,662	-
Fund Balances, January 1	<u>9,575</u>	<u>137,088</u>	<u>1,067,862</u>	<u>245,929</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 11,398</u>	<u>\$ -</u>	<u>\$ 1,000,782</u>	<u>\$ 247,591</u>	<u>\$ -</u>

248	279	291	299	
Sister	Tax		Library	
Cities	Increment	Inspection	Memorial	Total
	District # 7.1			
\$ -	\$ 136,802	\$ -	\$ -	\$ 136,802
-	-	321,314	-	321,314
-	-	-	-	118,452
-	-	-	-	161,462
-	-	-	-	144,142
-	-	-	-	7,661
-	-	76,918	-	76,918
-	-	-	-	3,101
-	-	-	-	9,539
-	-	224	-	(23,911)
-	-	-	-	30,000
-	-	-	-	52,203
10,902	-	-	11,790	84,160
-	-	-	-	49,406
<u>10,902</u>	<u>136,802</u>	<u>398,456</u>	<u>11,790</u>	<u>1,171,249</u>
-	-	244,904	-	244,904
15,423	-	-	10,066	1,294,953
-	130,729	-	-	369,831
-	-	-	-	299,996
-	-	-	-	48,308
<u>15,423</u>	<u>130,729</u>	<u>244,904</u>	<u>10,066</u>	<u>2,257,992</u>
<u>(4,521)</u>	<u>6,073</u>	<u>153,552</u>	<u>1,724</u>	<u>(1,086,743)</u>
5,600	-	-	-	1,048,488
-	-	(74,555)	(1,250)	(75,805)
<u>5,600</u>	<u>-</u>	<u>(74,555)</u>	<u>(1,250)</u>	<u>972,683</u>
1,079	6,073	78,997	474	(114,060)
<u>196</u>	<u>31,525</u>	<u>165,279</u>	<u>18,905</u>	<u>1,676,359</u>
<u>\$ 1,275</u>	<u>\$ 37,598</u>	<u>\$ 244,276</u>	<u>\$ 19,379</u>	<u>\$ 1,562,299</u>

City of Red Wing, Minnesota
 Airport Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
State	\$ 69,635	\$ 98,419	\$ 43,010	\$ (55,409)	\$ 42,965
Miscellaneous					
Rents	24,000	24,000	30,000	6,000	30,000
Lease payments received	49,000	49,000	52,203	3,203	50,057
Contributions and donations	25,000	25,000	-	(25,000)	-
Other	13,100	13,100	35,860	22,760	22,165
Total Revenues	<u>180,735</u>	<u>209,519</u>	<u>161,073</u>	<u>(48,446)</u>	<u>145,187</u>
Expenditures					
Current					
Airport					
Personal services	46,390	46,390	45,058	1,332	43,370
Supplies	37,660	37,660	44,614	(6,954)	26,578
Other services and charges	189,082	189,082	210,324	(21,242)	163,801
Capital outlay					
Airport	67,000	89,258	-	89,258	15,981
Total Expenditures	<u>340,132</u>	<u>362,390</u>	<u>299,996</u>	<u>62,394</u>	<u>249,730</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(159,397)	(152,871)	(138,923)	13,948	(104,543)
Other Financing Sources (Uses)					
Transfers in	157,520	157,520	1,835	(155,685)	123,911
Net Change in Fund Balances	(1,877)	4,649	(137,088)	(141,737)	19,368
Fund Balances, January 1	137,088	137,088	137,088	-	117,720
Fund Balances, December 31	<u>\$ 135,211</u>	<u>\$ 141,737</u>	<u>\$ -</u>	<u>\$ (141,737)</u>	<u>\$ 137,088</u>

City of Red Wing, Minnesota
Library Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
County	\$ 122,231	\$ 122,231	\$ 123,174	\$ 943	\$ 114,578
Charges for services					
General government	8,000	8,000	7,661	(339)	8,263
Culture and recreation	3,500	3,500	3,101	(399)	3,622
Fines and forfeits	12,000	12,000	9,539	(2,461)	9,427
Investment income (loss)	40,815	40,815	(24,332)	(65,147)	88,819
Miscellaneous					
Contributions and donations	3,350	3,350	10,915	7,565	8,417
Other	6,000	6,000	9,883	3,883	4,808
Total Revenues	<u>195,896</u>	<u>195,896</u>	<u>139,941</u>	<u>(55,955)</u>	<u>237,934</u>
Expenditures					
Current					
Culture and recreation					
Library					
Personal services	826,437	826,437	808,720	17,717	767,463
Supplies	32,668	32,668	21,683	10,985	24,149
Other services and charges	376,594	377,844	369,363	8,481	341,311
Capital outlay					
Culture and recreation	-	74,866	48,308	26,558	61,061
Total Expenditures	<u>1,235,699</u>	<u>1,311,815</u>	<u>1,248,074</u>	<u>63,741</u>	<u>1,193,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,039,803)	(1,115,919)	(1,108,133)	7,786	(956,050)
Other Financing Sources (Uses)					
Transfers in	<u>1,039,803</u>	<u>1,041,053</u>	<u>1,041,053</u>	<u>-</u>	<u>1,012,919</u>
Net Change in Fund Balances	-	(74,866)	(67,080)	7,786	56,869
Fund Balances, January 1	<u>1,067,862</u>	<u>1,067,862</u>	<u>1,067,862</u>	<u>-</u>	<u>1,010,993</u>
Fund Balances, December 31	<u>\$ 1,067,862</u>	<u>\$ 992,996</u>	<u>\$ 1,000,782</u>	<u>\$ 7,786</u>	<u>\$ 1,067,862</u>

City of Red Wing, Minnesota
DEED Loan Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
Federal	\$ -	\$ -	\$ 118,452	\$ 118,452	\$ -
State	-	-	118,452	118,452	-
Miscellaneous					
Other	4,000	4,000	3,663	(337)	4,137
Investment income	-	-	197	197	-
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>240,764</u>	<u>236,764</u>	<u>4,137</u>
Expenditures					
Current					
Economic development					
Other services and charges	<u>3,000</u>	<u>3,000</u>	<u>239,102</u>	<u>(236,102)</u>	<u>2,482</u>
Net Change in Fund Balances	1,000	1,000	1,662	662	1,655
Fund Balances, January 1	<u>245,929</u>	<u>245,929</u>	<u>245,929</u>	<u>-</u>	<u>244,274</u>
Fund Balances, December 31	<u><u>\$ 246,929</u></u>	<u><u>\$ 246,929</u></u>	<u><u>\$ 247,591</u></u>	<u><u>\$ 662</u></u>	<u><u>\$ 245,929</u></u>

City of Red Wing, Minnesota
Sister Cities Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Miscellaneous					
Contributions and donations	\$ 8,000	\$ 11,000	\$ 10,902	\$ (98)	\$ 10,385
Other	-	-	-	-	4,500
Total Revenues	8,000	11,000	10,902	(98)	14,885
Expenditures					
Current					
Culture and recreation					
Other services and charges	8,000	16,600	15,423	1,177	16,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,600)	(4,521)	(1,275)	(1,253)
Other Financing Sources (Uses)					
Transfers in	-	5,600	5,600	-	-
Net Change in Fund Balances	-	-	1,079	1,079	(1,253)
Fund Balances, January 1	196	196	196	-	1,449
Fund Balances, December 31	<u>\$ 196</u>	<u>\$ 196</u>	<u>\$ 1,275</u>	<u>\$ 1,079</u>	<u>\$ 196</u>

City of Red Wing, Minnesota
Tax Increment District # 7.1 Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Tax increments	\$ 130,668	\$ 130,668	\$ 136,802	\$ 6,134	\$ 130,672
Expenditures					
Current					
Economic development					
Other services and charges	126,000	126,000	130,729	(4,729)	125,163
Net Change in Fund Balances	4,668	4,668	6,073	1,405	5,509
Fund Balances, January 1	31,525	31,525	31,525	-	26,016
Fund Balances, December 31	<u>\$ 36,193</u>	<u>\$ 36,193</u>	<u>\$ 37,598</u>	<u>\$ 1,405</u>	<u>\$ 31,525</u>

City of Red Wing, Minnesota
Inspection Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Licenses and permits	\$ 120,037	\$ 120,037	\$ 321,314	\$ 201,277	\$ 316,808
Charges for services					
Public safety	32,100	32,100	76,918	44,818	63,581
Investment income	-	-	224	224	-
Total Revenues	<u>152,137</u>	<u>152,137</u>	<u>398,456</u>	<u>246,319</u>	<u>380,389</u>
Expenditures					
Current					
Public safety					
Inspection					
Personal services	227,454	227,454	201,033	26,421	119,585
Supplies	9,250	9,250	4,911	4,339	2,133
Other services and charges	50,147	50,147	38,960	11,187	35,695
Total Expenditures	<u>286,851</u>	<u>286,851</u>	<u>244,904</u>	<u>41,947</u>	<u>157,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(134,714)</u>	<u>(134,714)</u>	<u>153,552</u>	<u>288,266</u>	<u>222,976</u>
Other Financing Sources (Uses)					
Transfers in	209,269	209,269	-	(209,269)	-
Transfers out	<u>(74,555)</u>	<u>(74,555)</u>	<u>(74,555)</u>	<u>-</u>	<u>(74,555)</u>
Total Other Financing Sources (Uses)	<u>134,714</u>	<u>134,714</u>	<u>(74,555)</u>	<u>(209,269)</u>	<u>(74,555)</u>
Net Change in Fund Balances	-	-	78,997	78,997	148,421
Fund Balances, January 1	<u>165,279</u>	<u>165,279</u>	<u>165,279</u>	<u>-</u>	<u>16,858</u>
Fund Balances, December 31	<u>\$ 165,279</u>	<u>\$ 165,279</u>	<u>\$ 244,276</u>	<u>\$ 78,997</u>	<u>\$ 165,279</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

CSO-PBF Building - This fund is used to account for funds received and capital expenditures incurred in the construction of a downtown operations building.

Levee Wall Improvements - This fund is used to account for funds received and capital expenditures incurred in the River Renaissance projects.

Airport Federal Projects - This fund is used to account for the operations of the Red Wing Airport.

Robert Street Extension Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of Robert Street.

Sheldon Renewal Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of the Sheldon Theatre.

Bohmbach Drive Reconstruction Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of Bohmbach Drive.

Oakwood Cemetery Renewal Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of the Oakwood Cemetery.

River Renaissance Phase II - This fund is used to account for funds received and capital expenditures incurred in the River Renaissance projects.

River Renaissance Phase III - This fund is used to account for funds received and capital expenditures incurred in the Pottery Pond improvements, a pedestrian bridge, and construction of a building.

Downtown Street Light Replacement Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of downtown street lighting.

Old West Main Project - This fund is used to account for funds received and capital expenditures incurred from the redevelopment stimulus and parking areas improvement of Old West Main Street.

Parkland Acquisition - This fund is used to account for monies received from developers to be used for parkland.

2016 Street Reconstruction Project - This fund is used to account for funds received and capital expenditures incurred in the improvement South Park, McSorley, and 11th Street.

2017 Street Reconstruction Project - This fund is used to account for funds received and capital expenditures incurred in the improvement 13th, 14th, 15th, and Central Park Streets.

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NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)

2018 Street Reconstruction Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of 2018 streets.

2019 Street Reconstruction Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of 2019 streets.

2020 Street Reconstruction Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of 2020 streets.

Downtown 61/63/58 Improvements - This fund is used to account for funds received and capital expenditures incurred in the improvements of downtown intersection.

3rd and Bush Intersection - This fund is used to account for funds received and capital expenditures incurred in the improvements of the intersection.

Memorial Park Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of Memorial Park.

Safe Routes to School Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of school intersections.

Barn Bluff Improvements - This fund is used to account for funds received and capital expenditures incurred in the improvement of Barn Bluff.

Fire Station #1 Renovation Project - This fund is used to account for funds received and capital expenditures incurred in the renovation of the Fire Station #1 building.

River Renaissance Phase I Levee Road to Jackson Street - This fund is used to account for funds received and capital expenditures incurred in the River Renaissance projects.

Sturgeon Lake Road Overpass - This fund is used to account for funds received and capital expenditures incurred in the reconstruction of Sturgeon Lake Road in order to address access and rail safety issues.

Highway 63 River Crossing Bridge - This fund is used to account for funds received and capital expenditures incurred in the improvement of Highway 63 river crossing bridge.

Briarwood Drive Project - This fund is used to account for funds received and capital expenditures incurred in the improvement of Briarwood Drive.

Old West Main Reconstruction - This fund is used to account for funds received and capital expenditures incurred in the improvement of Old West Main Street.

Highway 61 Reconstruction - This fund is used to account for funds received and the capital expenditures incurred in the improvements on Highway #61.

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NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)

Street Reclamation/Reconditioning - This fund is used to account for funds received and the capital expenditures incurred in the construction of various State aid street overlay projects.

621 West 4th Street Project - This fund is used to account for funds received and capital expenditures incurred in the exploration of uses for the 621 West 4th Street property.

Sidewalk Construction Project - This fund is used to account for funds received and the capital expenditures incurred in the construction of various sidewalk projects.

Street and Alley Improvements - This fund is used to account for funds received and capital expenditures incurred in the improvement of various streets and alleys.

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City of Red Wing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
(Continued on the Following Pages)
December 31, 2018

	404	409	410	415	416	417	419
	CSO-PBF Building	Levee Wall Improvements	Airport Federal Projects	Sheldon Renewal Project	Bohmbach Drive Project	Oakwood Cemetery Renewal Project	River Renaissance Phase II
Assets							
Cash and investments	\$ 981,146	\$ -	\$ 43,421	\$ -	\$ 39,975	\$ -	\$ 545,564
Receivables							
Intergovernmental	-	860,695	4,004	635,667	-	-	-
Total Assets	<u>\$ 981,146</u>	<u>\$ 860,695</u>	<u>\$ 47,425</u>	<u>\$ 635,667</u>	<u>\$ 39,975</u>	<u>\$ -</u>	<u>\$ 545,564</u>
Liabilities							
Accounts payable	\$ 397	\$ 141,971	\$ -	\$ 48,300	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-	-	-
Due to other funds	-	155,249	-	570,434	-	75,032	-
Total Liabilities	<u>397</u>	<u>297,220</u>	<u>-</u>	<u>618,734</u>	<u>-</u>	<u>75,032</u>	<u>-</u>
Fund Balances							
Restricted	980,749	290,662	6,654	-	-	-	-
Committed	-	272,813	40,771	16,933	39,975	-	545,564
Unassigned	-	-	-	-	-	(75,032)	-
Total Fund Balances	<u>980,749</u>	<u>563,475</u>	<u>47,425</u>	<u>16,933</u>	<u>39,975</u>	<u>(75,032)</u>	<u>545,564</u>
Total Liabilities and Fund Balances	<u>\$ 981,146</u>	<u>\$ 860,695</u>	<u>\$ 47,425</u>	<u>\$ 635,667</u>	<u>\$ 39,975</u>	<u>\$ -</u>	<u>\$ 545,564</u>

420	421	422	426	435	436	437	438	439	452
River Renaissance Phase III	Old West Main Project	Downtown Street Light Replacement	Parkland Acquisition	2016 Street Reconstruction Project	2017 Street Reconstruction Project	2018 Street Reconstruction Project	2019 Street Reconstruction Project	2020 Street Reconstruction Project	3rd and Bush Intersection
\$ 427,809	\$ 485,679	\$ 142,811	\$ -	\$ 65,503	\$ 27,504	\$ 944,081	\$ -	\$ -	\$ 79,088
-	-	-	-	-	-	-	-	-	-
<u>\$ 427,809</u>	<u>\$ 485,679</u>	<u>\$ 142,811</u>	<u>\$ -</u>	<u>\$ 65,503</u>	<u>\$ 27,504</u>	<u>\$ 944,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,088</u>
\$ 68,000	\$ 9,742	\$ -	\$ -	\$ -	\$ 37,063	\$ 30	\$ -	\$ -	\$ 24,079
4,922	-	-	-	-	-	-	-	-	-
-	-	-	7,700	-	-	-	30,137	30,137	-
<u>72,922</u>	<u>9,742</u>	<u>-</u>	<u>7,700</u>	<u>-</u>	<u>37,063</u>	<u>30</u>	<u>30,137</u>	<u>30,137</u>	<u>24,079</u>
-	-	142,811	-	-	-	944,051	-	-	-
354,887	475,937	-	-	65,503	-	-	-	-	55,009
-	-	-	(7,700)	-	(9,559)	-	(30,137)	(30,137)	-
<u>354,887</u>	<u>475,937</u>	<u>142,811</u>	<u>(7,700)</u>	<u>65,503</u>	<u>(9,559)</u>	<u>944,051</u>	<u>(30,137)</u>	<u>(30,137)</u>	<u>55,009</u>
<u>\$ 427,809</u>	<u>\$ 485,679</u>	<u>\$ 142,811</u>	<u>\$ -</u>	<u>\$ 65,503</u>	<u>\$ 27,504</u>	<u>\$ 944,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,088</u>

City of Red Wing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
(Continued)
December 31, 2018

	458	459	460	461	465	467
	Memorial Park Project	Safe Routes to School Project	Barn Bluff Improvements	Fire Station #1 Renovation Project	River Renaissance Phase I Levee Road to Jackson Street	Sturgeon Lake Road Overpass
Assets						
Cash and investments	\$ -	\$ 300,039	\$ 526,230	\$ 53,694	\$ 12,311	\$ 25,554
Receivables						
Intergovernmental	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 300,039</u>	<u>\$ 526,230</u>	<u>\$ 53,694</u>	<u>\$ 12,311</u>	<u>\$ 25,554</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 2,205	\$ 27,866	\$ -	\$ -
Contracts payable	-	-	-	-	-	-
Due to other funds	26,165	-	-	-	-	-
Total Liabilities	<u>26,165</u>	<u>-</u>	<u>2,205</u>	<u>27,866</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted	-	300,039	524,025	25,828	12,311	-
Committed	-	-	-	-	-	25,554
Unassigned	(26,165)	-	-	-	-	-
Total Fund Balances	<u>(26,165)</u>	<u>300,039</u>	<u>524,025</u>	<u>25,828</u>	<u>12,311</u>	<u>25,554</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 300,039</u>	<u>\$ 526,230</u>	<u>\$ 53,694</u>	<u>\$ 12,311</u>	<u>\$ 25,554</u>

470	471	475	476	477	487	498	499	
Highway 63 River Crossing Bridge	Briarwood Drive Project	Old West Main Reconstruction	Highway 61 Reconstruction	Street Reclamation/ Reconditioning	621 West 4th Street Project	Sidewalk Construction Project	Street and Alley Improvements	Total
\$ -	\$ 20,486	\$ -	\$ 822,539	\$ 3,821	\$ -	\$ 231,997	\$ -	\$ 5,779,252
-	-	-	-	-	-	-	-	1,500,366
<u>\$ -</u>	<u>\$ 20,486</u>	<u>\$ -</u>	<u>\$ 822,539</u>	<u>\$ 3,821</u>	<u>\$ -</u>	<u>\$ 231,997</u>	<u>\$ -</u>	<u>\$ 7,279,618</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,653
-	-	-	-	-	-	-	-	4,922
22,455	-	4,653	-	-	-	-	17,561	939,523
<u>22,455</u>	<u>-</u>	<u>4,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,561</u>	<u>1,304,098</u>
-	-	-	-	3,821	-	-	-	3,230,951
-	20,486	-	822,539	-	-	231,997	-	2,967,968
(22,455)	-	(4,653)	-	-	-	-	(17,561)	(223,399)
<u>(22,455)</u>	<u>20,486</u>	<u>(4,653)</u>	<u>822,539</u>	<u>3,821</u>	<u>-</u>	<u>231,997</u>	<u>(17,561)</u>	<u>5,975,520</u>
<u>\$ -</u>	<u>\$ 20,486</u>	<u>\$ -</u>	<u>\$ 822,539</u>	<u>\$ 3,821</u>	<u>\$ -</u>	<u>\$ 231,997</u>	<u>\$ -</u>	<u>\$ 7,279,618</u>

City of Red Wing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2018

	404	409	410	415	416	417	419
	CSO-PBF Building	Levee Wall Improvements	Airport Federal Projects	Sheldon Renewal Project	Bohmbach Drive Project	Oakwood Cemetery Renewal Project	River Renaissance Phase II
Revenues							
Intergovernmental							
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,771
State	-	860,695	8,494	635,667	-	-	-
Investment income	10,503	-	-	1,080	-	-	573
Miscellaneous							
Contributions and donations	-	-	-	37,000	-	-	-
Other	-	13,188	-	-	-	-	-
Total Revenues	<u>10,503</u>	<u>873,883</u>	<u>8,494</u>	<u>673,747</u>	<u>-</u>	<u>-</u>	<u>11,344</u>
Expenditures							
Capital outlay							
Public safety	-	-	-	-	-	-	-
Public works	526,225	570,033	-	-	9,807	-	-
Culture and recreation	-	-	-	1,984,231	-	-	16,984
Airport	-	-	1,840	-	-	-	-
Total Expenditures	<u>526,225</u>	<u>570,033</u>	<u>1,840</u>	<u>1,984,231</u>	<u>9,807</u>	<u>-</u>	<u>16,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(515,722)</u>	<u>303,850</u>	<u>6,654</u>	<u>(1,310,484)</u>	<u>(9,807)</u>	<u>-</u>	<u>(5,640)</u>
Other Financing Sources (Uses)							
Transfers in	-	207,640	-	722,492	-	-	545,513
Bonds issued	890,772	-	-	-	-	-	-
Premiums on bonds issued	109,228	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(722,697)
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>207,640</u>	<u>-</u>	<u>722,492</u>	<u>-</u>	<u>-</u>	<u>(177,184)</u>
Net Change in Fund Balances	484,278	511,490	6,654	(587,992)	(9,807)	-	(182,824)
Fund Balances, January 1	<u>496,471</u>	<u>51,985</u>	<u>40,771</u>	<u>604,925</u>	<u>49,782</u>	<u>(75,032)</u>	<u>728,388</u>
Fund Balances, December 31	<u>\$ 980,749</u>	<u>\$ 563,475</u>	<u>\$ 47,425</u>	<u>\$ 16,933</u>	<u>\$ 39,975</u>	<u>\$ (75,032)</u>	<u>\$ 545,564</u>

420	421	422	426	435	436	437	438	439	452
River Renaissance Phase III	Old West Main Project	Downtown Street Light Replacement	Parkland Acquisition	2016 Street Reconstruction Project	2017 Street Reconstruction Project	2018 Street Reconstruction Project	2019 Street Reconstruction Project	2020 Street Reconstruction Project	3rd and Bush Intersection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
197	271	155	-	-	-	16,121	-	-	1,808
-	-	-	-	-	-	-	-	-	-
-	-	-	825	1,474	-	-	-	-	-
197	271	155	825	1,474	-	16,121	-	-	1,808
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	100,404	1,623,707	30,137	30,137	627,571
208,000	73,634	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
208,000	73,634	-	-	-	100,404	1,623,707	30,137	30,137	627,571
(207,803)	(73,363)	155	825	1,474	(100,404)	(1,607,586)	(30,137)	(30,137)	(625,763)
380,000	195,000	-	-	-	-	-	-	-	159,830
-	-	-	-	-	-	2,444,574	-	-	471,223
-	-	-	-	-	-	295,426	-	-	56,947
-	-	-	-	-	-	(159,830)	-	-	-
380,000	195,000	-	-	-	-	2,580,170	-	-	688,000
172,197	121,637	155	825	1,474	(100,404)	972,584	(30,137)	(30,137)	62,237
182,690	354,300	142,656	(8,525)	64,029	90,845	(28,533)	-	-	(7,228)
\$ 354,887	\$ 475,937	\$ 142,811	\$ (7,700)	\$ 65,503	\$ (9,559)	\$ 944,051	\$ (30,137)	\$ (30,137)	\$ 55,009

City of Red Wing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued)
For the Year Ended December 31, 2018

	458	459	460	461	465	467
	Memorial Park Project	Safe Routes to School Project	Barn Bluff Improvements	Fire Station #1 Renovation Project	River Renaissance Phase I Levee Road to Jackson Street	Sturgeon Lake Road Overpass
Revenues						
Intergovernmental						
Federal	\$ -	\$ 1,714	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-	-	-
Investment income	-	326	-	3,615	-	-
Miscellaneous						
Contributions and donations	-	-	-	-	-	-
Other	-	-	-	37,088	-	-
Total Revenues	<u>-</u>	<u>2,040</u>	<u>-</u>	<u>40,703</u>	<u>-</u>	<u>-</u>
Expenditures						
Capital outlay						
Public safety	-	-	-	1,322,603	-	-
Public works	-	8,444	-	-	1,637	5,411
Culture and recreation	6,029	-	8,867	-	-	-
Airport	-	-	-	-	-	-
Total Expenditures	<u>6,029</u>	<u>8,444</u>	<u>8,867</u>	<u>1,322,603</u>	<u>1,637</u>	<u>5,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,029)</u>	<u>(6,404)</u>	<u>(8,867)</u>	<u>(1,281,900)</u>	<u>(1,637)</u>	<u>(5,411)</u>
Other Financing Sources (Uses)						
Transfers in	30,000	-	96,565	-	-	-
Bonds issued	-	-	-	1,164,888	-	-
Premiums on bonds issued	-	-	-	142,840	-	-
Transfers out	-	-	-	-	(147,640)	-
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>-</u>	<u>96,565</u>	<u>1,307,728</u>	<u>(147,640)</u>	<u>-</u>
Net Change in Fund Balances	23,971	(6,404)	87,698	25,828	(149,277)	(5,411)
Fund Balances, January 1	<u>(50,136)</u>	<u>306,443</u>	<u>436,327</u>	<u>-</u>	<u>161,588</u>	<u>30,965</u>
Fund Balances, December 31	<u>\$ (26,165)</u>	<u>\$ 300,039</u>	<u>\$ 524,025</u>	<u>\$ 25,828</u>	<u>\$ 12,311</u>	<u>\$ 25,554</u>

470	471	475	476	477	487	498	499	
Highway 63 River Crossing Bridge	Briarwood Drive Project	Old West Main Reconstruction	Highway 61 Reconstruction	Street Reclamation/ Reconditioning	621 West 4th Street Project	Sidewalk Construction Project	Street and Alley Improvements	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,485
-	-	-	-	-	-	-	-	1,504,856
-	-	-	9,417	3,821	-	-	-	47,887
91,250	-	-	-	-	-	-	-	128,250
-	-	-	-	-	450	-	-	53,025
<u>91,250</u>	<u>-</u>	<u>-</u>	<u>9,417</u>	<u>3,821</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>1,746,503</u>
-	-	-	-	-	-	-	-	1,322,603
51,540	-	53,640	36,303	766,000	-	1,187	86,198	4,528,381
-	-	-	-	-	-	-	-	2,297,745
-	-	-	-	-	-	-	-	1,840
<u>51,540</u>	<u>-</u>	<u>53,640</u>	<u>36,303</u>	<u>766,000</u>	<u>-</u>	<u>1,187</u>	<u>86,198</u>	<u>8,150,569</u>
<u>39,710</u>	<u>-</u>	<u>(53,640)</u>	<u>(26,886)</u>	<u>(762,179)</u>	<u>450</u>	<u>(1,187)</u>	<u>(86,198)</u>	<u>(6,404,066)</u>
80,000	-	50,000	-	-	-	100,000	71,798	2,638,838
-	-	-	-	683,410	-	-	-	5,654,867
-	-	-	-	82,590	-	-	-	687,031
-	-	-	(130,035)	-	-	-	-	(1,160,202)
<u>80,000</u>	<u>-</u>	<u>50,000</u>	<u>(130,035)</u>	<u>766,000</u>	<u>-</u>	<u>100,000</u>	<u>71,798</u>	<u>7,820,534</u>
119,710	-	(3,640)	(156,921)	3,821	450	98,813	(14,400)	1,416,468
<u>(142,165)</u>	<u>20,486</u>	<u>(1,013)</u>	<u>979,460</u>	<u>-</u>	<u>(450)</u>	<u>133,184</u>	<u>(3,161)</u>	<u>4,559,052</u>
<u>\$ (22,455)</u>	<u>\$ 20,486</u>	<u>\$ (4,653)</u>	<u>\$ 822,539</u>	<u>\$ 3,821</u>	<u>\$ -</u>	<u>\$ 231,997</u>	<u>\$ (17,561)</u>	<u>\$ 5,975,520</u>

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NONMAJOR PERMANENT FUNDS

Permanent funds account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes of that support the City's programs.

Oakwood Care - This fund is used to account for proceeds from the sale of cemetery lots and for the maintenance of the Oakwood Cemetery.

Oakwood Flower - This fund is used to account for monies received and the expenditures incurred in the planting and maintenance of flowers at the Oakwood Cemetery.

Burnside Care - This fund is used to account for proceeds from the sale of cemetery lots and for the maintenance of the Burnside Cemetery.

Burnside Flower - This fund is used to account for monies received and the expenditures incurred in the planting and maintenance of flowers at the Burnside Cemetery.

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City of Red Wing, Minnesota
Nonmajor Permanent Funds
Combining Balance Sheet
December 31, 2018

	851 Oakwood Care	852 Oakwood Flower	853 Burnside Care	854 Burnside Flower	Total
Assets					
Cash and investments	\$ 1,356,421	\$ 851,012	\$ 340,120	\$ 139,084	\$ 2,686,637
Receivables					
Accrued interest	6,211	4,271	2,418	489	13,389
Total Assets	<u>\$ 1,362,632</u>	<u>\$ 855,283</u>	<u>\$ 342,538</u>	<u>\$ 139,573</u>	<u>\$ 2,700,026</u>
Fund Balances					
Nonspendable	\$ 1,000,469	\$ 548,353	\$ 254,330	\$ 98,145	\$ 1,901,297
Restricted	362,163	306,930	88,208	41,428	798,729
Total Fund Balances	<u>\$ 1,362,632</u>	<u>\$ 855,283</u>	<u>\$ 342,538</u>	<u>\$ 139,573</u>	<u>\$ 2,700,026</u>

City of Red Wing, Minnesota
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	851 Oakwood Care	852 Oakwood Flower	853 Burnside Care	854 Burnside Flower	Total
Revenues					
Investment income	\$ 21,938	\$ 12,199	\$ 4,275	\$ 2,058	\$ 40,470
Miscellaneous					
Burial plot sales	29,970	-	4,160	-	34,130
Perpetual contract sales	-	12,400	-	2,400	14,800
Total Revenues	<u>51,908</u>	<u>24,599</u>	<u>8,435</u>	<u>4,458</u>	<u>89,400</u>
Fund Balances, January 1	<u>1,310,724</u>	<u>830,684</u>	<u>334,103</u>	<u>135,115</u>	<u>2,610,626</u>
Fund Balances, December 31	<u><u>\$ 1,362,632</u></u>	<u><u>\$ 855,283</u></u>	<u><u>\$ 342,538</u></u>	<u><u>\$ 139,573</u></u>	<u><u>\$ 2,700,026</u></u>

GENERAL FUND

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund.

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City of Red Wing, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 26,807,617	\$ 23,540,373
Receivables		
Accrued interest	81,431	68,765
Delinquent taxes	126,408	132,440
Accounts (net of allowance)	413,772	193,625
Intergovernmental	98,121	91,145
Loans to other governments	60,373	63,817
Due from other funds	2,489,626	2,129,342
Loans to other funds	1,000,000	1,000,000
Prepaid items	3,679	-
	<u>3,679</u>	<u>-</u>
Total Assets	<u><u>\$ 31,081,027</u></u>	<u><u>\$ 27,219,507</u></u>
Liabilities		
Accounts payable	\$ 301,422	\$ 613,282
Escrow accounts payable	73,875	33,395
Due to other governments	2,504	1,860
Salaries payable	162,791	115,394
Deposits payable	5,542	39,744
Unearned revenue	45,182	48,033
Total Liabilities	<u>591,316</u>	<u>851,708</u>
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	<u>126,408</u>	<u>132,440</u>
Fund Balances		
Nonspendable	1,064,052	1,063,817
Restricted	4,897,102	2,504,393
Committed	3,600,000	3,600,000
Assigned	542,741	542,741
Unassigned	20,259,408	18,524,408
Total Fund Balances	<u>30,363,303</u>	<u>26,235,359</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 31,081,027</u></u>	<u><u>\$ 27,219,507</u></u>

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City of Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 19,697,441	\$ 19,697,441	\$ 19,528,553	\$ (168,888)	\$ 18,568,311
Franchise taxes	223,000	223,000	247,661	24,661	252,374
Other taxes	30,500	30,500	33,427	2,927	33,363
Total taxes	<u>19,950,941</u>	<u>19,950,941</u>	<u>19,809,641</u>	<u>(141,300)</u>	<u>18,854,048</u>
Licenses and permits					
Business	53,880	53,880	59,857	5,977	60,102
Nonbusiness	3,300	3,300	14,316	11,016	13,484
Total licenses and permits	<u>57,180</u>	<u>57,180</u>	<u>74,173</u>	<u>16,993</u>	<u>73,586</u>
Intergovernmental					
Federal					
Other federal aid	<u>60,699</u>	<u>60,699</u>	<u>213,028</u>	<u>152,329</u>	<u>37,711</u>
State					
Local government aid	959,516	959,516	959,516	-	1,124,856
Property tax credits	-	-	5,162	5,162	5,057
Police aid	249,326	249,326	246,570	(2,756)	252,067
Fire aid	119,830	119,830	124,341	4,511	123,819
Other state aids	449,519	449,519	416,980	(32,539)	330,026
Total state	<u>1,778,191</u>	<u>1,778,191</u>	<u>1,752,569</u>	<u>(25,622)</u>	<u>1,835,825</u>
County					
Other County aids	<u>66,685</u>	<u>66,685</u>	<u>78,843</u>	<u>12,158</u>	<u>57,187</u>
Local					
Other local aid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,869</u>
Total intergovernmental	<u>1,905,575</u>	<u>1,905,575</u>	<u>2,044,440</u>	<u>138,865</u>	<u>1,933,592</u>
Charges for services					
General government	30,750	30,750	89,879	59,129	35,333
Public safety	206,960	206,960	251,620	44,660	245,828
Public works	64,389	64,389	114,504	50,115	117,981
Culture and recreation	125,000	125,000	136,260	11,260	114,320
Cemeteries	108,200	108,200	127,621	19,421	127,937
Total charges for services	<u>535,299</u>	<u>535,299</u>	<u>719,884</u>	<u>184,585</u>	<u>641,399</u>
Fines and forfeits	<u>76,100</u>	<u>76,100</u>	<u>79,859</u>	<u>3,759</u>	<u>72,630</u>
Investment income	<u>150,000</u>	<u>150,000</u>	<u>481,322</u>	<u>331,322</u>	<u>449,540</u>
Miscellaneous					
Interest on notes and loans	9,723	9,723	-	(9,723)	-
Rents	138,820	138,820	159,439	20,619	164,694
Contributions and donations	153,000	280,374	282,559	2,185	77,541
Refunds	-	-	72,313	72,313	32,067
Other	154,487	357,459	405,490	48,031	210,790
Total miscellaneous	<u>456,030</u>	<u>786,376</u>	<u>919,801</u>	<u>133,425</u>	<u>485,092</u>
Total Revenues	<u>23,131,125</u>	<u>23,461,471</u>	<u>24,129,120</u>	<u>667,649</u>	<u>22,509,887</u>

City of Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
City council					
Personal services	\$ 64,485	\$ 64,485	\$ 49,781	\$ 14,704	\$ 60,315
Supplies	2,175	2,175	3,125	(950)	5,301
Other services and charges	79,059	79,059	26,513	52,546	34,643
Total city council	145,719	145,719	79,419	66,300	100,259
Mayor					
Personal services	9,212	9,212	8,645	567	8,620
Supplies	200	200	94	106	4
Other services and charges	9,404	9,404	8,635	769	8,914
Total mayor	18,816	18,816	17,374	1,442	17,538
Council administration					
Other services and charges	146,999	146,999	138,471	8,528	122,711
Administrative customer services					
Other services and charges	82,713	82,713	76,940	5,773	47,022
Boards and commissions					
Personal services	42,300	42,300	31,376	10,924	-
Supplies	400	400	956	(556)	1,464
Other services and charges	41,060	42,792	38,386	4,406	39,613
Total boards and commissions	83,760	85,492	70,718	14,774	41,077
City clerk					
Personal services	120,462	120,462	110,618	9,844	101,545
Other services and charges	75,545	75,545	75,540	5	47,315
Total city clerk	196,007	196,007	186,158	9,849	148,860
Elections					
Personal services	27,024	27,024	20,649	6,375	-
Supplies	3,600	3,600	862	2,738	129
Other services and charges	17,175	17,175	10,284	6,891	3,208
Total elections	47,799	47,799	31,795	16,004	3,337
Finance					
Personal services	301,175	301,175	285,098	16,077	187,122
Other services and charges	85,316	85,316	85,320	(4)	79,636
Total finance	386,491	386,491	370,418	16,073	266,758
Audit					
Other services and charges	42,450	42,450	42,100	350	43,093
Attorney					
Other services and charges	234,295	234,295	244,141	(9,846)	219,161
Communications					
Personal services	48,367	48,367	44,410	3,957	31,900
Other services and charges	48,898	48,898	48,900	(2)	58,782
Total communications	97,265	97,265	93,310	3,955	90,682

City of Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Community engagement					
Personal services	\$ 94,963	\$ 94,963	\$ 93,430	\$ 1,533	\$ 34,175
Supplies	5,050	5,050	467	4,583	210
Other services and charges	44,035	44,035	40,479	3,556	8,961
Total community engagement	144,048	144,048	134,376	9,672	43,346
Employee services					
Personal services	148,482	148,482	136,350	12,132	117,992
Other services and charges	137,340	137,340	137,340	-	167,761
Total employee services	285,822	285,822	273,690	12,132	285,753
Government buildings					
Personal services	13,774	13,774	13,454	320	10,227
Supplies	28,083	28,083	18,025	10,058	64,254
Other services and charges	157,616	166,046	140,362	25,684	153,761
Total general government buildings	199,473	207,903	171,841	36,062	228,242
Total general government	2,111,657	2,121,819	1,930,751	191,068	1,657,839
Public safety					
Police					
Personal services	3,654,260	3,654,260	3,685,521	(31,261)	3,466,426
Supplies	172,350	172,350	139,769	32,581	165,566
Other services and charges	560,802	560,802	521,930	38,872	486,555
Total police	4,387,412	4,387,412	4,347,220	40,192	4,118,547
Fire					
Personal services	1,608,534	1,608,534	1,841,034	(232,500)	1,560,363
Supplies	90,350	93,150	81,781	11,369	76,320
Other services and charges	369,947	370,347	362,796	7,551	342,364
Total fire	2,068,831	2,072,031	2,285,611	(213,580)	1,979,047
Fire station building - Plum Street					
Personal services	943	943	1,130	(187)	990
Supplies	2,800	2,800	3,134	(334)	227
Other services and charges	48,272	48,272	92,646	(44,374)	39,319
Total fire station building - plum street	52,015	52,015	96,910	(44,895)	40,536
Fire station building - West					
Supplies	700	700	831	(131)	-
Other services and charges	8,813	8,813	552	8,261	-
Total fire station building - west	9,513	9,513	1,383	8,130	-
Civil defense					
Supplies	4,900	4,900	18,751	(13,851)	11,432
Other services and charges	21,813	21,813	4,799	17,014	22,917
Total civil defense	26,713	26,713	23,550	3,163	34,349
Total public safety	6,544,484	6,547,684	6,754,674	(206,990)	6,172,479
Public works					
Administration					
Personal services	156,774	156,774	157,156	(382)	182,052
Supplies	50,350	50,350	40,410	9,940	39,407
Other services and charges	285,487	285,487	418,598	(133,111)	409,597
Total administration	492,611	492,611	616,164	(123,553)	631,056

City of Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street maintenance					
Personal services	\$ 28,805	\$ 28,805	\$ 32,031	\$ (3,226)	\$ 30,595
Supplies	471,895	477,913	318,520	159,393	335,277
Other services and charges	722,580	717,682	746,544	(28,862)	795,815
Total street maintenance	1,223,280	1,224,400	1,097,095	127,305	1,161,687
Snow and ice removal					
Supplies	220,200	220,200	207,157	13,043	181,891
Other services and charges	292,218	292,218	386,041	(93,823)	276,924
Total snow and ice removal	512,418	512,418	593,198	(80,780)	458,815
Street lighting					
Personal services	4,712	4,712	5,647	(935)	5,072
Supplies	86,340	86,340	106,694	(20,354)	67,496
Other services and charges	268,593	268,593	222,449	46,144	229,075
Total street lighting	359,645	359,645	334,790	24,855	301,643
Parking ramps					
Personal services	9,129	9,129	11,005	(1,876)	9,177
Supplies	11,500	11,500	6,730	4,770	5,730
Other services and charges	117,366	117,366	68,829	48,537	71,127
Total parking ramps	137,995	137,995	86,564	51,431	86,034
Total public works	2,725,949	2,727,069	2,727,811	(742)	2,639,235
Sanitation					
Composting					
Personal services	70,967	70,967	65,886	5,081	57,122
Supplies	7,255	7,255	2,858	4,397	7,569
Other services and charges	9,764	9,764	11,512	(1,748)	19,558
Total sanitation	87,986	87,986	80,256	7,730	84,249
Culture and recreation					
Parks and boulevards					
Personal services	176,362	176,362	178,423	(2,061)	166,275
Supplies	304,760	304,760	252,637	52,123	400,177
Other services and charges	797,719	798,864	838,310	(39,446)	977,275
Total parks and boulevards	1,278,841	1,279,986	1,269,370	10,616	1,543,727
Recreational activities and facilities					
Personal services	18,712	18,712	22,875	(4,163)	23,478
Supplies	95,505	99,751	63,537	36,214	65,867
Other services and charges	831,553	926,857	813,500	113,357	698,410
Total recreational activities and facilities	945,770	1,045,320	899,912	145,408	787,755
Total culture and recreation	2,224,611	2,325,306	2,169,282	156,024	2,331,482

City of Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018		Actual Amounts	Variance with Final Budget	2017
	Budgeted Amounts				Actual
	Original	Final			Amounts
Expenditures (Continued)					
Current (continued)					
Economic development					
Community development					
Personal services	\$ 774,564	\$ 774,564	\$ 722,026	\$ 52,538	\$ 523,443
Supplies	17,050	17,050	15,378	1,672	4,583
Other services and charges	170,003	244,752	209,008	35,744	79,221
Total community development	961,617	1,036,366	946,412	89,954	607,247
Planning					
Personal services	4,353	4,353	(269)	4,622	3,532
Supplies	9,330	9,330	8,734	596	3,540
Other services and charges	474,271	486,937	574,788	(87,851)	317,903
Total planning	487,954	500,620	583,253	(82,633)	324,975
Total economic development	1,449,571	1,536,986	1,529,665	7,321	932,222
Cemeteries					
Personal services	138,501	138,501	149,050	(10,549)	123,035
Supplies	82,750	82,750	78,588	4,162	65,598
Other services and charges	133,804	133,804	113,028	20,776	98,297
Total cemeteries	355,055	355,055	340,666	14,389	286,930
Transit					
Other services and charges	31,000	31,000	-	31,000	-
Contingencies and other					
Other services and charges	873,699	755,704	112,255	643,449	153,065
Total current	16,404,012	16,488,609	15,645,360	843,249	14,257,501
Capital outlay					
General government	271,366	586,919	281,973	304,946	38,944
Public safety	1,171,742	1,211,742	1,011,201	200,541	915,272
Public works	1,092,860	1,597,050	792,409	804,641	495,144
Culture and recreation	1,212,784	1,989,775	707,842	1,281,933	587,699
Economic development	1,301,607	1,955,944	958,545	997,399	162,074
Cemeteries	20,000	50,000	9,122	40,878	56,858
Total capital outlay	5,070,359	7,391,430	3,761,092	3,630,338	2,255,991
Total Expenditures	21,474,371	23,880,039	19,406,452	4,473,587	16,513,492
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	1,656,754	(418,568)	4,722,668	5,141,236	5,996,395
Other Financing Sources (Uses)					
Sale of capital assets	-	-	100,735	100,735	33,429
Transfers in	348,779	613,814	738,308	124,494	486,776
Bonds issued	2,340,700	2,340,700	1,942,980	(397,720)	632,063
Premium on bonds issued	-	-	222,720	222,720	46,389
Transfers out	(4,346,233)	(4,456,731)	(3,599,467)	857,264	(3,767,931)
Total Other Financing Sources (Uses)	(1,656,754)	(1,502,217)	(594,724)	907,493	(2,569,274)
Net Change in Fund Balances	-	(1,920,785)	4,127,944	6,048,729	3,427,121
Fund Balances, January 1	26,235,359	26,235,359	26,235,359	-	22,808,238
Fund Balances, December 31	\$ 26,235,359	\$ 24,314,574	\$ 30,363,303	\$ 6,048,729	\$ 26,235,359

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DEBT SERVICE FUNDS

Debt Service funds account for financial resources used for the payment of general long-term debt principal, interest and related costs.

\$1,835,000 G.O. Bonds 2011A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects and City facility improvements.

\$2,375,000 G.O. Bonds 2012A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects, equipment and City facility improvements.

\$2,930,000 G.O. Bonds 2013A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects, equipment and City facility improvements.

\$1,115,000 G.O. Equipment Certificates 2014A - This fund is used to account for payment of principal, interest and related costs for equipment.

\$7,735,000 G.O. Improvement Bonds, Series 2015A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects, equipment and City facility improvements.

\$8,525,000 G.O. Improvement Bonds, Series 2016A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects, equipment and City facility improvements.

\$6,740,000 G.O. Improvement Bonds, Series 2017A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects, equipment and City facility improvements.

\$13,535,000 G.O. Improvement Bonds, Series 2018A - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street reconstruction projects, street improvement projects, equipment and City facility improvements.

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City of Red Wing, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2018

	301 \$1,835,000 G.O. <u>Bonds 2011A</u>	302 \$2,375,000 G.O. <u>Bonds 2012A</u>	304 \$2,930,000 G.O. <u>Bonds 2013A</u>	305 \$1,115,000 G.O. Equipment <u>Certificates 2014A</u>
Assets				
Cash and investments	\$ 227,780	\$ 291,007	\$ 385,890	\$ 144,215
Receivables				
Delinquent taxes	1,486	2,389	2,372	889
Intergovernmental	<u>959</u>	<u>809</u>	<u>1,548</u>	<u>572</u>
Total Assets	<u><u>\$ 230,225</u></u>	<u><u>\$ 294,205</u></u>	<u><u>\$ 389,810</u></u>	<u><u>\$ 145,676</u></u>
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	\$ 1,486	\$ 2,389	\$ 2,372	\$ 889
Fund Balances				
Restricted				
Debt service	<u>228,739</u>	<u>291,816</u>	<u>387,438</u>	<u>144,787</u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 230,225</u></u>	<u><u>\$ 294,205</u></u>	<u><u>\$ 389,810</u></u>	<u><u>\$ 145,676</u></u>

306 \$7,735,000 G.O. Improvement Bonds 2015A	308 \$8,525,000 G.O. Improvement Bonds 2016A	309 \$6,740,000 G.O. Improvement Bonds 2017A	310 \$13,535,000 G.O. Improvement Bonds 2018A	Total
\$ 943,761	\$ 1,103,861	\$ 705,291	\$ 3,069	\$ 3,804,874
6,127	6,824	-	-	20,087
4,036	4,498	3,639	-	16,061
<u>\$ 953,924</u>	<u>\$ 1,115,183</u>	<u>\$ 708,930</u>	<u>\$ 3,069</u>	<u>\$ 3,841,022</u>
\$ 6,127	\$ 6,824	\$ -	\$ -	\$ 20,087
<u>947,797</u>	<u>1,108,359</u>	<u>708,930</u>	<u>3,069</u>	<u>3,820,935</u>
<u>\$ 953,924</u>	<u>\$ 1,115,183</u>	<u>\$ 708,930</u>	<u>\$ 3,069</u>	<u>\$ 3,841,022</u>

City of Red Wing, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	301 \$1,835,000 G.O. Bonds 2011A	302 \$2,375,000 G.O. Bonds 2012A	304 \$2,930,000 G.O. Bonds 2013A	305 \$1,115,000 G.O. Equipment Certificates 2014A
Revenues				
Taxes				
Property taxes	\$ 217,855	\$ 212,481	\$ 351,910	\$ 129,919
Investment income	247	305	418	155
Rents	370	312	598	221
Total Revenues	<u>218,472</u>	<u>213,098</u>	<u>352,926</u>	<u>130,295</u>
Expenditures				
Debt service				
Principal retirement	190,000	320,000	295,000	110,000
Interest and fiscal charges	19,573	17,400	38,950	15,145
Bond issuance costs	1,211	886	3,986	886
Total Expenditures	<u>210,784</u>	<u>338,286</u>	<u>337,936</u>	<u>126,031</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,688</u>	<u>(125,188)</u>	<u>14,990</u>	<u>4,264</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Bonds issued	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7,688	(125,188)	14,990	4,264
Fund Balances, January 1	<u>221,051</u>	<u>417,004</u>	<u>372,448</u>	<u>140,523</u>
Fund Balances, December 31	<u>\$ 228,739</u>	<u>\$ 291,816</u>	<u>\$ 387,438</u>	<u>\$ 144,787</u>

306 \$7,735,000 G.O. Improvement Bonds 2015A	308 \$8,525,000 G.O. Improvement Bonds 2016A	309 \$6,740,000 G.O. Improvement Bonds 2017A	310 \$13,535,000 G.O. Improvement Bonds 2018A	Total
\$ 917,272	\$ 1,022,216	\$ 827,094	\$ -	\$ 3,678,747
706	1,221	-	-	3,052
1,558	1,737	1,405	-	6,201
<u>919,536</u>	<u>1,025,174</u>	<u>828,499</u>	<u>-</u>	<u>3,688,000</u>
730,000	725,000	650,000	-	3,020,000
133,100	163,700	233,047	1,216	622,131
886	711	-	150,698	159,264
<u>863,986</u>	<u>889,411</u>	<u>883,047</u>	<u>151,914</u>	<u>3,801,395</u>
<u>55,550</u>	<u>135,763</u>	<u>(54,548)</u>	<u>(151,914)</u>	<u>(113,395)</u>
-	-	759,650	-	759,650
<u>-</u>	<u>-</u>	<u>-</u>	<u>154,983</u>	<u>154,983</u>
<u>-</u>	<u>-</u>	<u>759,650</u>	<u>154,983</u>	<u>914,633</u>
55,550	135,763	705,102	3,069	801,238
<u>892,247</u>	<u>972,596</u>	<u>3,828</u>	<u>-</u>	<u>3,019,697</u>
<u>\$ 947,797</u>	<u>\$ 1,108,359</u>	<u>\$ 708,930</u>	<u>\$ 3,069</u>	<u>\$ 3,820,935</u>

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INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Administrative Services - This fund is used to account for the administrative activities of the City which are charged to the various operating funds of the City.

Central Services - This fund is used to account for the value added service provided by purchasing to the various City Departments.

Risk Management - This fund is used to account for the risk management activities of the City which are charged to the various operating funds of the City.

Information Services - This fund is used to account for the operations of the City's IT Department.

Postemployment Benefits - This fund is used to account for funding compensated absences payable of governmental funds.

Engineering - This fund is used to account for the operations of the City's engineering department.

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City of Red Wing, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2018

	701 Administrative Services	702 Central Services	705/708 Risk Management
Assets			
Current Assets			
Cash and investments	\$ 330,723	\$ 1,078,850	\$ 3,340,636
Receivables			
Accrued interest	-	82	11,791
Accounts	-	4,248	129
Loans	-	-	18,801
Inventories	-	122,454	6,105
Prepaid items	-	-	621
Total Current Assets	<u>330,723</u>	<u>1,205,634</u>	<u>3,378,083</u>
Capital Assets			
Buildings	-	7,825	-
Machinery and equipment	-	36,221	-
Office equipment	-	-	-
Vehicles	-	275,323	-
Less accumulated depreciation	-	(303,343)	-
Net Capital Assets	<u>-</u>	<u>16,026</u>	<u>-</u>
Total Assets	<u>330,723</u>	<u>1,221,660</u>	<u>3,378,083</u>
Liabilities			
Current Liabilities			
Accounts payable	16,781	51,865	585,750
Due to other funds	-	-	-
Salaries payable	44,669	58,739	1,138
Compensated absences payable - current portion	146,730	178,124	425
Total Current Liabilities	<u>208,180</u>	<u>288,728</u>	<u>587,313</u>
Noncurrent Liabilities			
Compensated absences payable	122,543	157,250	2,469
Total Liabilities	<u>330,723</u>	<u>445,978</u>	<u>589,782</u>
Net Position			
Investment in capital assets	-	16,026	-
Unrestricted	-	759,656	2,788,301
Total Net Position	<u>\$ -</u>	<u>\$ 775,682</u>	<u>\$ 2,788,301</u>

710 Information Services	715 Postemployment Benefits	728 Engineering	Total
\$ -	\$ 952,923	\$ 584,917	\$ 6,288,049
-	-	2,889	14,762
-	-	100	4,477
-	-	-	18,801
-	-	-	128,559
-	-	-	621
-	952,923	587,906	6,455,269
-	-	-	7,825
-	-	-	36,221
298,725	-	97,233	395,958
-	-	108,035	383,358
(72,328)	-	(150,090)	(525,761)
226,397	-	55,178	297,601
226,397	952,923	643,084	6,752,870
103,838	-	10,413	768,647
72,259	-	-	72,259
10,761	-	18,002	133,309
27,921	515,687	57,217	926,104
214,779	515,687	85,632	1,900,319
21,496	437,236	75,480	816,474
236,275	952,923	161,112	2,716,793
226,397	-	55,178	297,601
(236,275)	-	426,794	3,738,476
\$ (9,878)	\$ -	\$ 481,972	\$ 4,036,077

City of Red Wing, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	701 Administrative Services	702 Central Services	705/708 Risk Management
Operating Revenues			
Charges for services	\$ 1,994,927	\$ 3,912,390	\$ 4,112,869
Miscellaneous	2,960	16,473	42,387
Total Operating Revenues	<u>1,997,887</u>	<u>3,928,863</u>	<u>4,155,256</u>
Operating Expenses			
Personal services	1,270,338	1,678,573	40,808
Employee benefits	397,983	742,843	4,395,527
Supplies	66,472	431,362	-
Cost of merchandise sold	-	725,356	-
Professional services	199,697	225,943	6,595
Rent and leased equipment	950	18	-
Repairs and maintenance	28,098	1,698	-
Administration and fiscal charges	44,340	6,372	1,011
Insurance premiums	4,743	8,421	322,215
Insurance claims	-	-	31,000
Depreciation	-	8,962	-
Miscellaneous	5,721	-	277,890
Total Operating Expenses	<u>2,018,342</u>	<u>3,829,548</u>	<u>5,075,046</u>
Operating Income (Loss)	<u>(20,455)</u>	<u>99,315</u>	<u>(919,790)</u>
Nonoperating Revenues (Expenses)			
Investment income	458	5,972	57,952
Gain (loss) on sale of capital assets	-	-	-
Total Nonoperating Revenues (Expenses)	<u>458</u>	<u>5,972</u>	<u>57,952</u>
Income (Loss) Before Transfers	(19,997)	105,287	(861,838)
Transfers In	19,997	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	105,287	(861,838)
Net Position, January 1	<u>-</u>	<u>670,395</u>	<u>3,650,139</u>
Net Position, December 31	<u><u>\$ -</u></u>	<u><u>\$ 775,682</u></u>	<u><u>\$ 2,788,301</u></u>

710 Information Services	715 Postemployment Benefits	728 Engineering	Total
\$ 574,044	\$ -	\$ 882,677	\$ 11,476,907
2,049	-	2,427	66,296
<u>576,093</u>	<u>-</u>	<u>885,104</u>	<u>11,543,203</u>
324,611	-	598,291	3,912,621
112,479	-	202,782	5,851,614
215,555	-	18,958	732,347
-	-	-	725,356
42,056	-	337,414	811,705
20,811	-	428	22,207
88,413	-	4,627	122,836
28,095	-	65,376	145,194
1,408	-	3,731	340,518
-	-	-	31,000
29,620	-	29,036	67,618
1,451	-	225	285,287
<u>864,499</u>	<u>-</u>	<u>1,260,868</u>	<u>13,048,303</u>
<u>(288,406)</u>	<u>-</u>	<u>(375,764)</u>	<u>(1,505,100)</u>
-	-	7,281	71,663
-	-	4,000	4,000
<u>-</u>	<u>-</u>	<u>11,281</u>	<u>75,663</u>
(288,406)	-	(364,483)	(1,429,437)
50,000	-	220,861	290,858
<u>(154,997)</u>	<u>-</u>	<u>-</u>	<u>(154,997)</u>
(393,403)	-	(143,622)	(1,293,576)
<u>383,525</u>	<u>-</u>	<u>625,594</u>	<u>5,329,653</u>
<u>\$ (9,878)</u>	<u>\$ -</u>	<u>\$ 481,972</u>	<u>\$ 4,036,077</u>

City of Red Wing, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2018

	701 Administrative Services	702 Central Services	705/708 Risk Management
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,999,727	\$ 3,912,472	\$ 4,143,362
Payments to vendors and suppliers	(341,962)	(1,472,969)	(278,679)
Payments to and on behalf of employees	(1,653,005)	(2,399,643)	(4,818,678)
Other receipts	2,960	16,473	42,387
Net Cash Provided (Used) by Operating Activities	<u>7,720</u>	<u>56,333</u>	<u>(911,608)</u>
Cash Flows From Noncapital Financing Activities			
Loan payments received	-	-	18,358
Loans made	-	-	(18,605)
Increase (decrease) in due to other funds	-	-	-
Transfers from other funds	19,997	-	-
Transfers to other funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>19,997</u>	<u>-</u>	<u>(247)</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of capital assets	-	-	-
Payments for acquisition and construction of capital assets	-	-	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities			
Interest receipts	<u>458</u>	<u>5,991</u>	<u>57,062</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,175	62,324	(854,793)
Cash and Cash Equivalents, January 1	<u>302,548</u>	<u>1,016,526</u>	<u>4,195,429</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 330,723</u></u>	<u><u>\$ 1,078,850</u></u>	<u><u>\$ 3,340,636</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (20,455)	\$ 99,315	\$ (919,790)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	8,962	-
(Increase) decrease in assets			
Accounts receivable	4,800	82	30,493
Inventories	-	(66,310)	6,871
Prepaid items	-	-	(54)
Increase (decrease) in liabilities			
Accounts payable	8,059	(7,489)	(31,743)
Salaries payable	18,023	15,079	309
Compensated absences payable	(2,707)	6,694	2,306
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 7,720</u></u>	<u><u>\$ 56,333</u></u>	<u><u>\$ (911,608)</u></u>

710	715	728	
Information Services	Postemployment Benefits	Engineering	Total
\$ 581,179	\$ 29,095	\$ 882,577	\$ 11,548,412
(307,552)	-	(420,109)	(2,821,271)
(440,176)	-	(786,227)	(10,097,729)
2,049	-	2,427	66,296
<u>(164,500)</u>	<u>29,095</u>	<u>(321,332)</u>	<u>(1,304,292)</u>
-	-	-	18,358
-	-	-	(18,605)
72,259	-	-	72,259
50,000	-	220,861	290,858
<u>(154,997)</u>	<u>-</u>	<u>-</u>	<u>(154,997)</u>
<u>(32,738)</u>	<u>-</u>	<u>220,861</u>	<u>207,873</u>
-	-	4,000	4,000
-	-	(11,325)	(11,325)
<u>-</u>	<u>-</u>	<u>(7,325)</u>	<u>(7,325)</u>
-	-	6,920	70,431
(197,238)	29,095	(100,876)	(1,033,313)
<u>197,238</u>	<u>923,828</u>	<u>685,793</u>	<u>7,321,362</u>
<u>\$ -</u>	<u>\$ 952,923</u>	<u>\$ 584,917</u>	<u>\$ 6,288,049</u>
\$ (288,406)	\$ -	\$ (375,764)	\$ (1,505,100)
29,620	-	29,036	67,618
7,135	-	(100)	42,410
-	-	-	(59,439)
-	-	-	(54)
88,829	-	10,650	68,306
2,709	-	5,192	41,312
<u>(4,387)</u>	<u>29,095</u>	<u>9,654</u>	<u>40,655</u>
<u>\$ (164,500)</u>	<u>\$ 29,095</u>	<u>\$ (321,332)</u>	<u>\$ (1,304,292)</u>

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AGENCY FUNDS

Agency funds account for assets held in a trust capacity or as an agent for others and/or other funds.

Explorer Development Program - This fund is used to account for the operations of the Police Explorer Development Program.

Flex Account - This fund is used to account for monies received from the participation of employees in the Flexible Spending Account.

Lodging Tax - This fund is used to account for the collection of a 3% lodging tax on local lodging establishments and its remittance to the Red Wing Visitor's and Convention Bureau, net of a 5% City administration fee.

Cannon Valley Bike Trail - This fund is used to account for monies received to be used for Cannon Valley Trail.

Sheldon Auditorium - This fund is used to account for the operations of the T. B. Sheldon Auditorium.

Yuletide Villagefest - This fund is used to account for the operations of the Yuletide Villagefest.

Red Wing 2020 - This fund is used to account for the operations of the Red Wing 2020.

Coalition of Utility Cities - This fund is used to account for the operations of the Coalition of Utility Cities.

Local Government Utility - This fund is used to account for the operations of the Local Government Nuclear Waste Coalition.

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City of Red Wing, Minnesota
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued on the Following Pages)
For the Year Ended December 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
<u>Explorer Development Program (802)</u>				
Assets				
Cash and investments	\$ 419	\$ 690	\$ 376	\$ 733
Liabilities				
Accounts payable	\$ 419	\$ 690	\$ 376	\$ 733
<u>Flex Account (804)</u>				
Assets				
Cash and investments	\$ 46,787	\$ 206,551	\$ 190,310	\$ 63,028
Accounts receivable	2,694	-	-	2,694
Total Assets	\$ 49,481	\$ 206,551	\$ 190,310	\$ 65,722
Liabilities				
Salaries payable	\$ 49,481	\$ 206,551	\$ 190,310	\$ 65,722
<u>Lodging Tax (806)</u>				
Assets				
Cash and investments	\$ 399	\$ 248,338	\$ 248,707	\$ 30
Unbilled accounts receivable	15,505	14,469	15,505	14,469
Total Assets	\$ 15,904	\$ 262,807	\$ 264,212	\$ 14,499
Liabilities				
Accounts payable	\$ 15,904	\$ 262,807	\$ 264,212	\$ 14,499
<u>Cannon Valley Bike Trail (808)</u>				
Assets				
Cash and investments	\$ 683,836	\$ 468,971	\$ 339,734	\$ 813,073
Petty cash and change funds	400	-	-	400
Accrued interest receivable	305	873	305	873
Intergovernmental	-	6,284	-	6,284
Unbilled accounts receivable	-	5,335	-	5,335
Total Assets	\$ 684,541	\$ 481,463	\$ 340,039	\$ 825,965
Liabilities				
Accounts payable	\$ 39,959	\$ 313,381	\$ 290,223	\$ 63,117
Due to other governments	644,582	168,082	49,816	762,848
Total Liabilities	\$ 684,541	\$ 481,463	\$ 340,039	\$ 825,965

City of Red Wing, Minnesota
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended December 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
<u>Sheldon Auditorium (810)</u>				
Assets				
Cash and investments	\$ 305,339	\$ 1,613,206	\$ 1,581,021	\$ 337,524
Assets held in endowment	3,422,003	84,579	394,703	3,111,879
Petty cash and change funds	600	-	-	600
Accounts receivable	42,263	108,965	139,428	11,800
Other assets	136,752	15,600	71,754	80,598
	<u>\$ 3,906,957</u>	<u>\$ 1,822,350</u>	<u>\$ 2,186,906</u>	<u>\$ 3,542,401</u>
Total Assets				
	<u>\$ 3,906,957</u>	<u>\$ 1,822,350</u>	<u>\$ 2,186,906</u>	<u>\$ 3,542,401</u>
Liabilities				
Accounts payable	\$ 39,340	\$ 1,028,987	\$ 1,034,514	\$ 33,813
Due to other governments	3,197,214	(348,863)	(35,880)	2,884,231
Salaries payable	7,428	9,300	7,428	9,300
Compensated absences payable	36,998	15,458	-	52,456
Other liabilities	625,977	1,117,468	1,180,844	562,601
	<u>\$ 3,906,957</u>	<u>\$ 1,822,350</u>	<u>\$ 2,186,906</u>	<u>\$ 3,542,401</u>
Total Liabilities				
	<u>\$ 3,906,957</u>	<u>\$ 1,822,350</u>	<u>\$ 2,186,906</u>	<u>\$ 3,542,401</u>
<u>Yuletide Villagefest (820)</u>				
Assets				
Cash and investments	\$ (5,755)	\$ 5,755	\$ -	\$ -
Liabilities				
Accounts payable	\$ (5,755)	\$ 5,755	\$ -	\$ -
<u>Red Wing 2020 (825)</u>				
Assets				
Cash and investments	\$ 1,061	\$ -	\$ -	\$ 1,061
Liabilities				
Accounts payable	\$ 1,061	\$ -	\$ -	\$ 1,061
<u>Coalition of Utility Cities (840)</u>				
Assets				
Cash and investments	\$ 163,560	\$ 95,180	\$ 110,864	\$ 147,876
Accounts receivable	26,141	73,704	73,195	26,650
	<u>\$ 189,701</u>	<u>\$ 168,884</u>	<u>\$ 184,059</u>	<u>\$ 174,526</u>
Total Assets				
	<u>\$ 189,701</u>	<u>\$ 168,884</u>	<u>\$ 184,059</u>	<u>\$ 174,526</u>
Liabilities				
Accounts payable	\$ 189,701	\$ 168,884	\$ 184,059	\$ 174,526

City of Red Wing, Minnesota
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended December 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
<u>Local Government Utility (845)</u>				
Assets				
Cash and investments	\$ 1,129	\$ -	\$ -	\$ 1,129
Liabilities				
Accounts payable	\$ 1,129	\$ -	\$ -	\$ 1,129
<u>Total All Agency Funds</u>				
Assets				
Cash and investments	\$ 1,196,775	\$ 2,638,691	\$ 2,471,012	\$ 1,364,454
Assets held in endowment	3,422,003	84,579	394,703	3,111,879
Petty cash and change funds	1,000	-	-	1,000
Accrued interest receivable	305	873	305	873
Accounts receivable	71,098	182,669	212,623	41,144
Intergovernmental receivable	-	6,284	-	6,284
Unbilled accounts receivable	15,505	19,804	15,505	19,804
Other assets	136,752	15,600	71,754	80,598
Total Assets	<u>\$ 4,843,438</u>	<u>\$ 2,948,500</u>	<u>\$ 3,165,902</u>	<u>\$ 4,626,036</u>
Liabilities				
Accounts payable	\$ 281,758	\$ 1,780,504	\$ 1,773,384	\$ 288,878
Due to other governments	3,841,796	(180,781)	13,936	3,647,079
Salaries payable	56,909	215,851	197,738	75,022
Compensated absences payable	36,998	15,458	-	52,456
Other liabilities	625,977	1,117,468	1,180,844	562,601
Total Liabilities	<u>\$ 4,843,438</u>	<u>\$ 2,948,500</u>	<u>\$ 3,165,902</u>	<u>\$ 4,626,036</u>

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DISCRETELY PRESENTED COMPONENT UNIT
PORT AUTHORITY

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Red Wing, Minnesota
Discretely Presented Component Unit - Port Authority
Combining Balance Sheet
December 31, 2018

		Special Revenue			
	236	231	232	233	
	Port Authority	Industrial	Micro	Intermediary	
	General	Loan	Loan	Relending	Total
Assets					
Cash and cash equivalents	\$ 736,308	\$ 388,510	\$ 71,466	\$ 586,936	\$ 1,783,220
Receivables					
Delinquent taxes	2,607	-	-	-	2,607
Accounts	-	1,133	-	-	1,133
Loans	-	1,005,079	-	179,067	1,184,146
Intergovernmental	1,860	-	-	-	1,860
Total Assets	\$ 740,775	\$ 1,394,722	\$ 71,466	\$ 766,003	\$ 2,972,966
Liabilities					
Accounts payable	\$ 3,702	\$ -	\$ -	\$ -	\$ 3,702
Due to other governments	-	-	-	308,808	308,808
Total Liabilities	3,702	-	-	308,808	312,510
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	2,607	-	-	-	2,607
Fund Balances					
Restricted	-	-	-	457,195	457,195
Committed	-	1,394,722	71,466	-	1,466,188
Unassigned	734,466	-	-	-	734,466
Total Fund Balances	734,466	1,394,722	71,466	457,195	2,657,849
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 740,775	\$ 1,394,722	\$ 71,466	\$ 766,003	\$ 2,972,966
Amounts reported for governmental activities in the statement of net position are different because					
Fund Balances - governmental funds from above					\$ 2,657,849
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.					536,703
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.					
Delinquent property taxes receivable					2,607
Internal service funds are used by management to charge the costs of insurance and various services to individual funds. The assets and liabilities of the internal services funds are included in governmental activities in the statement of net position.					15,072
Total Net Position - Governmental Activities					\$ 3,212,231

City of Red Wing, Minnesota
Discretely Presented Component Unit - Port Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	236 Port Authority General	Special Revenue			Total
		231 Industrial Loan	232 Micro Loan	233 Intermediary Relending	
Revenues					
Taxes					
Property taxes	\$ 399,764	\$ -	\$ -	\$ -	\$ 399,764
Other taxes	685	-	-	-	685
Intergovernmental					
State	93	-	-	-	93
Investment income	4,394	862	71	3,740	9,067
Miscellaneous					
Lease payments received	117,962	-	-	-	117,962
Interest on notes and loans	-	18,746	-	7,655	26,401
Refunds	113	-	-	-	113
Other	1,636	-	-	2,857	4,493
Total Revenues	<u>524,647</u>	<u>19,608</u>	<u>71</u>	<u>14,252</u>	<u>558,578</u>
Expenditures					
Current					
Economic development					
Personal services	3,064	-	-	-	3,064
Supplies	2,018	-	-	-	2,018
Other services and charges	104,449	-	-	16,193	120,642
Miscellaneous	154,475	-	-	-	154,475
Debt service					
Interest and fiscal charges	-	-	-	3,380	3,380
Total Expenditures	<u>264,006</u>	<u>-</u>	<u>-</u>	<u>19,573</u>	<u>283,579</u>
Net Change in Fund Balances	260,641	19,608	71	(5,321)	274,999
Fund Balances, January 1	<u>473,825</u>	<u>1,375,114</u>	<u>71,395</u>	<u>462,516</u>	<u>2,382,850</u>
Fund Balances, December 31	<u>\$ 734,466</u>	<u>\$ 1,394,722</u>	<u>\$ 71,466</u>	<u>\$ 457,195</u>	<u>\$ 2,657,849</u>

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

Net Change in Fund Balances - Governmental Funds from Above	\$ 274,999
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Depreciation expense	(8,007)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Property taxes	(163)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Other postemployment benefits cost	20,387
Long-term pension activity is not reported in governmental funds.	
Negative pension expense	132,648
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>(4,929)</u>
Change in Net Position - Governmental Activities	<u>\$ 414,935</u>

City of Red Wing, Minnesota
Summary Financial Report
Revenues and Expenditures for General Operations
Governmental Funds
For the Years Ended December 31, 2018 and 2017

	Totals		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 23,625,190	\$ 22,016,695	7.31 %
Special assessments	700,994	867,140	(19.16)
Licenses and permits	395,487	390,394	1.30
Intergovernmental	7,082,531	6,069,508	16.69
Charges for services	814,189	721,865	12.79
Fines and forfeits	89,398	82,057	8.95
Investment earnings	711,905	772,503	(7.84)
Miscellaneous	1,387,844	1,005,119	38.08
Total Revenues	<u>\$ 34,807,538</u>	<u>\$ 31,925,281</u>	9.03 %
Per Capita	<u>\$ 2,100</u>	<u>\$ 1,930</u>	8.85 %
Expenditures			
Current			
General government	\$ 1,930,751	\$ 1,657,839	16.46 %
Public safety	6,999,578	6,329,892	10.58
Public works	2,799,613	2,833,260	(1.19)
Sanitation	80,256	84,249	(4.74)
Culture and recreation	3,464,235	3,606,939	(3.96)
Economic development	1,899,496	1,098,068	72.99
Airport	299,996	233,749	28.34
Cemeteries	340,666	286,930	18.73
Unallocated	112,255	153,065	(26.66)
Capital outlay			
General government	281,973	38,944	624.05
Public safety	6,663,439	983,397	577.59
Public works	9,024,168	11,029,337	(18.18)
Culture and recreation	3,053,895	1,345,481	126.97
Economic development	958,545	162,074	491.42
Airport	1,840	309,655	(99.41)
Cemeteries	9,122	386,125	(97.64)
Debt service			
Principal	3,020,000	1,600,000	88.75
Interest and fiscal charges	781,395	515,743	51.51
Total Expenditures	<u>\$ 41,721,223</u>	<u>\$ 32,654,747</u>	27.76 %
Per Capita	<u>\$ 2,518</u>	<u>\$ 1,974</u>	27.56 %
Total Long-term Indebtedness	\$ 37,820,000	\$ 27,305,000	38.51 %
Per Capita	2,282	1,650	38.28
General Fund Balance - December 31	\$ 30,363,303	\$ 26,235,359	15.73 %
Per Capita	1,832	1,586	15.55

The purpose of this report is to provide a summary of financial information concerning the City of Red Wing to interested citizens. The complete financial statements may be examined at City Hall, 315 W 4th Street, Red Wing, MN 55066. Questions about this report should be directed to Marshall Hallock at (651) 385-3602.

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Red Wing's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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City of Red Wing, Minnesota
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental Activities					
Net investment in capital assets	\$ 74,558,012	\$ 65,465,148	\$ 58,051,200	\$ 49,648,560	\$ 46,262,064
Restricted	15,669,640	15,331,092	14,254,984	13,309,298	12,812,857
Unrestricted	32,445,017	30,800,095	28,121,151	32,917,382	31,756,579
Total Governmental Activities Net Position	<u>\$ 122,672,669</u>	<u>\$ 111,596,335</u>	<u>\$ 100,427,335</u>	<u>\$ 95,875,240</u>	<u>\$ 90,831,500</u>
Business-type Activities					
Net investment in capital assets	\$ 50,671,411	\$ 48,252,911	\$ 44,944,878	\$ 44,265,403	\$ 41,964,192
Restricted	472,538	454,476	436,414	418,352	400,290
Unrestricted	994,152	797,066	2,894,021	2,404,032	7,743,886
Total Business-type Activities Net Position	<u>\$ 52,138,101</u>	<u>\$ 49,504,453</u>	<u>\$ 48,275,313</u>	<u>\$ 47,087,787</u>	<u>\$ 50,108,368</u>
Primary Government					
Net investment in capital assets	\$ 125,229,423	\$ 113,718,059	\$ 102,996,078	\$ 93,913,963	\$ 88,226,256
Restricted	16,142,178	15,785,568	14,691,398	13,727,650	13,213,147
Unrestricted	33,439,169	31,597,161	31,015,172	35,321,414	39,500,465
Total Primary Government Net Position	<u>\$ 174,810,770</u>	<u>\$ 161,100,788</u>	<u>\$ 148,702,648</u>	<u>\$ 142,963,027</u>	<u>\$ 140,939,868</u>

Table 1

Fiscal Year				
2013	2012	2011	2010	2009
\$ 41,825,328	\$ 38,453,702	\$ 35,820,191	\$ 35,233,880	\$ 33,868,669
11,964,453	13,650,753	15,311,936	13,566,492	14,322,109
30,881,953	31,159,022	30,782,252	31,603,457	29,360,417
<u>\$ 84,671,734</u>	<u>\$ 83,263,477</u>	<u>\$ 81,914,379</u>	<u>\$ 80,403,829</u>	<u>\$ 77,551,195</u>
\$ 40,517,978	\$ 35,251,711	\$ 32,865,281	\$ 31,280,810	\$ 30,344,747
382,228	364,166	346,104	328,042	309,980
10,649,128	15,314,254	14,168,386	15,808,643	16,725,336
<u>\$ 51,549,334</u>	<u>\$ 50,930,131</u>	<u>\$ 47,379,771</u>	<u>\$ 47,417,495</u>	<u>\$ 47,380,063</u>
\$ 82,343,306	\$ 73,705,413	\$ 68,685,472	\$ 66,514,690	\$ 64,213,416
12,346,681	14,014,919	15,658,040	13,894,534	14,632,089
41,531,081	46,473,276	44,950,638	47,412,100	46,085,753
<u>\$136,221,068</u>	<u>\$134,193,608</u>	<u>\$129,294,150</u>	<u>\$127,821,324</u>	<u>\$124,931,258</u>

City of Red Wing, Minnesota
Changes in Net Position (Continued on the Following Pages)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental Activities					
General government	\$ 2,197,544	\$ 1,978,680	\$ 2,186,067	\$ 2,014,182	\$ 1,928,550
Public safety	7,403,798	7,458,841	8,359,216	6,037,426	6,033,337
Public works	6,310,412	5,616,530	5,502,852	4,967,050	5,291,324
Storm water	-	-	-	-	-
Sanitation	89,269	96,063	66,457	38,978	48,969
Culture and recreation	4,187,586	4,223,786	4,091,398	3,308,523	3,791,583
Economic development	1,967,863	1,116,449	526,193	861,913	562,704
Airport	405,650	354,440	375,284	375,939	358,401
Cemeteries	415,040	368,286	494,246	371,341	368,248
Transit	206	236	27,885	48,200	22,904
Interest and fiscal charges	1,023,906	567,690	411,189	324,976	153,007
Total Governmental Activities Expenses	<u>24,001,274</u>	<u>21,781,001</u>	<u>22,040,787</u>	<u>18,348,528</u>	<u>18,559,027</u>
Business-Type Activities					
Ambulance	2,053,098	2,186,069	2,385,807	1,865,373	1,842,459
Refuse collection and recycling	2,564,204	2,450,536	2,377,624	2,452,011	2,050,561
Water	3,100,054	3,250,721	3,291,289	3,176,793	3,127,351
Sewer	4,695,023	4,246,080	4,720,564	4,341,896	4,216,823
Storm water	656,048	801,777	639,856	719,183	622,651
Solid waste campus	3,254,076	3,242,387	2,575,882	2,647,529	2,272,893
Marina	591,098	550,923	564,350	620,148	711,761
Total Business-type Activities Expenses	<u>16,913,601</u>	<u>16,728,493</u>	<u>16,555,372</u>	<u>15,822,933</u>	<u>14,844,499</u>
Total Primary Government Expenses	<u>\$ 40,914,875</u>	<u>\$ 38,509,494</u>	<u>\$ 38,596,159</u>	<u>\$ 34,171,461</u>	<u>\$ 33,403,526</u>
Program Revenue					
Governmental Activities					
Charges for services					
General government	\$ 401,318	\$ 242,075	\$ 220,509	\$ 213,967	\$ 222,553
Public safety	752,079	717,634	446,891	445,281	487,672
Public works	121,458	205,902	106,649	116,943	222,671
Storm water	-	-	-	-	-
Culture and recreation	217,036	204,738	201,576	205,901	171,026
Economic development	14,051	20,474	19,641	18,891	31,460
Airport	118,063	102,222	104,043	117,471	107,625
Cemeteries	175,621	183,357	196,675	186,409	159,976
Transit	-	-	-	-	-
Operating grants and contributions	1,642,979	1,130,771	1,157,393	1,676,665	1,306,110
Capital grants and contributions	5,517,336	5,726,499	3,509,448	8,248,980	2,493,704
Total Governmental Activities Program Revenues	<u>8,959,941</u>	<u>8,533,672</u>	<u>5,962,825</u>	<u>11,230,508</u>	<u>5,202,797</u>
Business-type Activities					
Charges for services					
Ambulance	2,091,102	1,817,922	1,770,147	1,732,331	1,700,329
Refuse collection and recycling	2,536,707	2,494,292	2,474,252	2,401,294	2,245,610
Water	3,579,496	3,435,180	3,349,471	3,313,412	3,305,736
Sewer	5,040,547	4,593,955	4,397,573	3,819,287	3,808,506
Storm water	1,334,966	1,303,006	1,325,296	1,274,544	1,110,841
Solid waste campus	4,260,460	3,618,528	2,713,880	2,695,806	2,435,248
Marina	691,877	665,935	550,365	554,370	565,965
Operating grants and contributions	40,735	19,346	36,059	28,093	54,787
Capital grants and contributions	368,812	-	-	68,977	-
Total Business-type Activities Program Revenues	<u>19,944,702</u>	<u>17,948,164</u>	<u>16,617,043</u>	<u>15,888,114</u>	<u>15,227,022</u>
Total Primary Government Program Revenues	<u>\$ 28,904,643</u>	<u>\$ 26,481,836</u>	<u>\$ 22,579,868</u>	<u>\$ 27,118,622</u>	<u>\$ 20,429,819</u>
Net (Expense) Revenue					
Governmental Activities	<u>\$(15,041,333)</u>	<u>\$(13,247,329)</u>	<u>\$(16,077,962)</u>	<u>\$ (7,118,020)</u>	<u>\$(13,356,230)</u>
Business-type Activities	<u>3,031,101</u>	<u>1,219,671</u>	<u>61,671</u>	<u>65,181</u>	<u>382,523</u>
Total Primary Government Net Expense	<u>\$ 12,010,232</u>	<u>\$ 12,027,658</u>	<u>\$ 16,016,291</u>	<u>\$ 7,052,839</u>	<u>\$ 12,973,707</u>

Table 2

Fiscal Year				
2013	2012	2011	2010	2009
\$ 1,950,660	\$ 1,904,155	\$ 2,120,072	\$ 2,802,055	\$ 3,312,304
5,556,816	5,405,760	5,364,753	5,437,702	5,741,518
5,560,184	5,269,097	5,358,673	4,976,666	4,648,198
-	-	-	294,734	335,811
94,652	36,645	48,509	41,256	35,771
4,000,733	3,235,924	3,422,720	3,183,989	3,069,546
553,909	1,238,660	429,599	406,373	607,341
872,190	645,686	663,642	654,954	1,136,300
326,916	291,059	273,316	247,108	277,854
45,120	10,269	13,869	-	22,603
108,675	141,251	168,349	182,266	252,562
19,069,855	18,178,506	17,863,502	18,227,103	19,439,808
1,667,481	1,590,032	1,531,222	1,541,281	1,500,676
2,086,819	1,934,248	1,810,551	1,776,307	1,771,792
2,901,369	3,013,293	2,913,991	2,838,949	2,927,250
3,972,286	3,680,551	4,124,679	3,724,271	3,571,622
660,862	674,328	-	-	-
2,678,199	3,078,048	3,268,700	3,042,167	2,940,549
617,166	671,424	728,269	737,230	698,809
14,584,182	14,641,924	14,377,412	13,660,205	13,410,698
\$ 33,654,037	\$ 32,820,430	\$ 32,240,914	\$ 31,887,308	\$ 32,850,506
\$ 262,776	\$ 188,538	\$ 137,823	\$ 917,260	\$ 887,819
372,731	412,246	395,215	426,580	419,073
81,070	92,462	52,905	629,296	643,036
-	-	-	440,723	232,162
948,035	557,739	336,254	301,088	279,601
22,497	22,821	24,293	27,177	6,717
88,226	82,923	81,033	59,022	61,597
191,814	172,325	169,300	154,837	157,752
16,496	-	-	-	-
2,714,394	2,096,584	1,428,308	1,123,423	954,057
2,280,238	2,932,743	888,223	1,199,748	2,551,473
6,978,277	6,558,381	3,513,354	5,279,154	6,193,287
1,757,302	1,743,601	1,631,812	1,528,239	1,473,899
2,297,080	2,117,154	2,014,532	1,864,877	1,810,061
3,271,779	3,341,564	3,175,525	3,022,454	3,114,482
3,606,266	3,389,196	3,471,031	3,236,300	3,251,990
880,982	723,152	557,890	-	-
2,652,499	2,735,126	2,649,929	2,413,378	2,251,264
553,234	584,739	643,048	665,688	681,836
4,710	6,100	32,650	7,212	4,424
-	6,011	6,899	179,102	1,060,124
15,023,852	14,646,643	14,183,316	12,917,250	13,648,080
\$ 22,002,129	\$ 21,205,024	\$ 17,696,670	\$ 18,196,404	\$ 19,841,367
\$(12,091,578)	\$(11,620,125)	\$(14,350,148)	\$(12,947,949)	\$(13,246,521)
439,670	4,719	(194,096)	(742,955)	237,382
\$ 11,651,908	\$ 11,615,406	\$ 14,544,244	\$ 13,690,904	\$ 13,009,139

City of Red Wing, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2018	2017	2016	2015
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes, levied for general purposes	\$ 19,522,521	\$ 18,570,054	\$ 17,565,362	\$ 15,926,127
Property taxes, levied for debt service	3,653,662	3,037,320	2,087,390	1,228,574
Tax increments	136,802	130,672	126,293	130,668
Franchise taxes	247,661	252,374	250,847	231,315
Other taxes	39,681	38,728	36,789	34,934
Grants and contributions not restricted to specific programs	1,305,856	1,215,076	1,350,331	1,517,171
Unrestricted investment earnings (loss)	783,568	818,561	(29,598)	528,855
Other revenues	400,875	201,387	54,659	68,355
Gain on sale of capital assets	176,756	10,316	71,779	105,141
Transfers	135,694	141,841	(883,795)	(1,940,807)
Total Governmental Activities	<u>26,403,076</u>	<u>24,416,329</u>	<u>20,630,057</u>	<u>17,830,333</u>
Business-type Activities				
Unrestricted investment earnings (loss)	82,102	90,603	211,253	339,807
Gain on sale of capital assets	26,472	60,707	30,807	104,459
Transfers	(135,694)	(141,841)	883,795	1,940,807
Loss on discontinued operations	-	-	-	-
Total Business-type Activities	<u>(27,120)</u>	<u>9,469</u>	<u>1,125,855</u>	<u>2,385,073</u>
Total Primary Government	<u>\$ 26,375,956</u>	<u>\$ 24,425,798</u>	<u>\$ 21,755,912</u>	<u>\$ 20,215,406</u>
Changes in Net Position				
Governmental Activities	\$ 11,361,743	\$ 11,169,000	\$ 4,552,095	\$ 10,712,313
Business-type Activities	<u>3,003,981</u>	<u>1,229,140</u>	<u>1,187,526</u>	<u>2,450,254</u>
Total Primary Government	<u>\$ 14,365,724</u>	<u>\$ 12,398,140</u>	<u>\$ 5,739,621</u>	<u>\$ 13,162,567</u>

Table 2 (Continued)

Fiscal Year				
2013	2012	2011	2010	2009
\$ 13,737,387	\$ 13,003,532	\$ 12,103,712	\$ 12,437,594	\$ 12,395,690
426,594	(64)	-	-	-
129,926	182,081	172,726	232,901	999,896
216,365	357,416	148,140	140,157	129,493
58,538	30,405	31,924	30,403	28,443
1,136,834	1,611,696	1,561,023	2,020,134	2,360,939
(1,419,916)	657,293	1,257,152	655,351	706,346
101,291	57,700	89,945	36,711	41,673
89,842	149,127	10,300	9,175	-
(977,026)	(3,036,946)	(301,902)	238,157	(2,690,027)
13,499,835	13,012,240	15,073,020	15,800,583	13,972,453
(919,620)	350,178	739,540	456,910	449,771
122,127	115,500	24,928	561,634	-
977,026	3,036,946	301,902	(238,157)	2,690,027
-	-	-	-	-
179,533	3,502,624	1,066,370	780,387	3,139,798
\$ 13,679,368	\$ 16,514,864	\$ 16,139,390	\$ 16,580,970	\$ 17,112,251
\$ 1,408,257	\$ 1,392,115	\$ 722,872	\$ 2,852,634	\$ 725,932
619,203	3,507,343	872,274	37,432	3,377,180
\$ 2,027,460	\$ 4,899,458	\$ 1,595,146	\$ 2,890,066	\$ 4,103,112

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City of Red Wing, Minnesota
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Franchise Tax	Other Tax	Total
	Levied for General Purposes	Levied for Debt Service				
2018	\$ 19,522,521	\$ 3,653,662	\$ 136,802	\$ 247,661	\$ 39,681	\$ 23,600,327
2017	18,570,054	3,037,320	130,672	252,374	38,728	22,029,148
2016	17,565,362	2,087,390	126,293	250,847	36,789	20,066,681
2015	15,926,127	1,228,574	130,668	231,315	34,934	17,551,618
2014	13,979,615	612,320	119,509	228,567	39,793	14,979,804
2013	13,737,387	426,594	129,926	216,365	58,538	14,568,810
2012	13,003,532	(64)	182,081	357,416	30,405	13,573,370
2011	12,103,712	-	172,726	148,140	31,924	12,456,502
2010	12,437,594	-	232,901	140,157	30,403	12,841,055
2009	12,395,690	-	999,896	129,493	28,443	13,553,522

City of Red Wing, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 1,064,052	\$ 1,063,817	\$ 142,122	\$ 113,387	\$ 193,687
Restricted (Reserved 2009 - 2010)	4,897,102	2,504,393	1,467,860	1,010,204	1,005,870
Committed	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Assigned	542,741	542,741	-	-	-
Unassigned (Unreserved 2009 - 2010)	20,259,408	18,524,408	17,598,256	14,992,326	12,674,073
Total General Fund	<u>\$ 30,363,303</u>	<u>\$ 26,235,359</u>	<u>\$ 22,808,238</u>	<u>\$ 19,715,917</u>	<u>\$ 17,473,630</u>
All Other Governmental Funds					
Nonspendable	\$ 2,454,190	\$ 2,474,046	\$ 2,351,681	\$ 2,208,470	\$ 4,991,700
Restricted (Reserved 2009 - 2010)	18,985,163	14,714,608	12,706,743	11,169,450	10,865,226
Committed	2,967,968	3,240,965	3,277,743	5,788,854	767,845
Assigned	6,458,925	5,772,009	5,761,280	6,483,127	4,389,895
Unassigned (Unreserved 2009 - 2010)	(1,382,088)	(1,258,162)	(1,931,540)	(429,114)	(1,339,709)
Total All Other Governmental Funds	<u>\$ 29,484,158</u>	<u>\$ 24,943,466</u>	<u>\$ 22,165,907</u>	<u>\$ 25,220,787</u>	<u>\$ 19,674,957</u>

Table 4

Fiscal Year				
2013	2012	2011	2010	2009
\$ 252,568	\$ 289,632	\$ 378,256	\$ -	\$ -
1,101,363	467,881	179,473	88,286	89,405
3,400,000	3,200,000	6,900,000	-	-
-	-	-	-	-
11,058,961	11,445,368	9,653,893	16,404,412	14,711,308
<u>\$ 15,812,892</u>	<u>\$ 15,402,881</u>	<u>\$ 17,111,622</u>	<u>\$ 16,492,698</u>	<u>\$ 14,800,713</u>
\$ 2,113,081	\$ 2,016,704	\$ 1,855,521	\$ -	\$ -
10,238,897	11,187,608	12,677,653	14,620,699	15,892,114
831,826	475,212	50,000	-	-
8,441,271	7,189,612	8,029,651	-	-
(1,177,706)	(143,690)	(866,737)	6,161,448	5,769,957
<u>\$ 20,447,369</u>	<u>\$ 20,725,446</u>	<u>\$ 21,746,088</u>	<u>\$ 20,782,147</u>	<u>\$ 21,662,071</u>

City of Red Wing, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues					
Taxes	\$ 23,625,190	\$ 22,016,695	\$ 20,149,887	\$ 17,522,463	\$ 15,027,160
Special assessments	700,994	867,140	491,636	410,235	1,300,387
Intergovernmental revenue	7,082,531	6,069,508	5,519,205	11,750,265	5,451,664
Licenses and permits	395,487	390,394	234,925	251,182	271,741
Charges for services	814,189	721,865	605,117	577,233	535,387
Fines and forfeits	89,398	82,057	89,599	88,125	83,991
Interest income (loss)	722,293	785,340	17,545	494,171	1,891,320
Miscellaneous	1,377,456	992,282	599,655	818,731	718,158
Total Revenues	<u>34,807,538</u>	<u>31,925,281</u>	<u>27,707,569</u>	<u>31,912,405</u>	<u>25,279,808</u>
Expenditures					
General government	1,930,751	1,657,839	1,814,476	1,834,768	1,715,823
Public safety	6,999,578	6,329,892	6,339,056	5,882,501	5,755,448
Public works	2,799,613	2,833,260	2,609,653	2,570,328	2,947,103
Storm water	-	-	-	-	-
Sanitation	80,256	84,249	49,339	43,891	49,680
Culture and recreation	3,464,235	3,606,939	3,259,092	3,033,293	3,187,335
Economic development	1,899,496	1,098,068	486,445	822,158	525,693
Airport	299,996	233,749	227,118	251,797	221,686
Cemeteries	340,666	286,930	404,413	332,475	323,860
Transit	-	-	27,720	48,200	22,904
Contingencies and other	112,255	153,065	180,769	81,536	85,994
Capital outlay	19,992,982	14,255,013	18,711,325	14,630,507	8,381,266
Debt service					
Principal	3,020,000	1,600,000	870,000	845,000	475,000
Interest and fiscal charges	781,395	515,743	312,479	140,702	165,689
Bond issuance costs	-	-	107,617	116,103	-
Total Expenditures	<u>41,721,223</u>	<u>32,654,747</u>	<u>35,399,502</u>	<u>30,633,259</u>	<u>23,857,481</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,913,685)</u>	<u>(729,466)</u>	<u>(7,691,933)</u>	<u>1,279,146</u>	<u>1,422,327</u>
Other Financing Sources (Uses)					
Sale of capital assets	208,008	39,566	148,679	105,141	43,685
Transfers in	5,491,216	4,587,172	4,349,273	4,723,724	5,231,828
Bonds issued	13,535,000	6,740,000	8,525,000	7,735,000	1,115,000
Premium on bonds issued	1,617,340	494,647	339,490	221,357	19,612
Transfers out	(5,269,243)	(4,927,239)	(5,633,068)	(6,276,251)	(5,201,062)
Total Other Financing Sources (Uses)	<u>15,582,321</u>	<u>6,934,146</u>	<u>7,729,374</u>	<u>6,508,971</u>	<u>1,209,063</u>
Net Change in Fund Balance	<u>\$ 8,668,636</u>	<u>\$ 6,204,680</u>	<u>\$ 37,441</u>	<u>\$ 7,788,117</u>	<u>\$ 2,631,390</u>
Debt service as a percentage of noncapital expenditures	17.51%	11.54%	7.07%	6.21%	4.16%
Debt service as a percentage of total expenditures	9.11%	6.48%	3.34%	3.22%	2.69%

Table 5

Fiscal Year				
2013	2012	2011	2010	2009
\$ 14,590,910	\$ 13,595,074	\$ 12,475,584	\$ 12,798,927	\$ 13,558,893
2,141,695	1,183,707	500,460	764,107	903,363
5,317,522	4,876,778	3,474,515	3,713,359	3,977,829
193,607	207,338	186,541	193,790	203,838
576,692	657,924	556,262	2,241,024	2,009,568
88,015	95,804	113,624	92,010	224,585
(1,175,216)	611,860	1,201,002	536,410	675,171
1,296,349	973,166	539,205	602,992	1,734,194
<u>23,029,574</u>	<u>22,201,651</u>	<u>19,047,193</u>	<u>20,942,619</u>	<u>23,287,441</u>
1,675,393	1,637,430	1,885,793	2,672,512	2,995,979
5,530,808	5,220,262	5,289,918	5,432,783	5,529,460
3,829,994	3,234,677	2,779,132	3,439,138	3,398,471
-	-	-	298,935	333,747
95,464	36,804	49,213	42,224	35,681
3,487,693	2,736,273	2,973,146	2,748,279	2,933,926
550,841	1,238,660	429,599	406,373	607,341
244,706	219,222	231,346	247,582	233,431
293,358	277,906	260,461	231,676	253,865
20,193	269	13,869	-	22,603
154,763	140,355	124,213	84,567	123,767
7,929,202	7,586,199	3,182,182	3,212,101	3,210,844
1,229,778	1,231,939	1,010,415	1,476,143	1,622,459
76,905	115,742	185,237	208,882	281,586
13,399	19,081	-	-	-
<u>25,132,497</u>	<u>23,694,819</u>	<u>18,414,524</u>	<u>20,501,195</u>	<u>21,583,160</u>
<u>(2,102,923)</u>	<u>(1,493,168)</u>	<u>632,669</u>	<u>441,424</u>	<u>1,704,281</u>
89,842	149,127	-	9,175	-
2,324,126	3,936,506	2,274,976	4,418,882	5,675,237
2,930,000	2,375,000	1,835,000	-	-
115,693	-	-	-	-
(3,224,804)	(7,696,848)	(3,098,264)	(4,057,420)	(5,875,237)
<u>2,234,857</u>	<u>(1,236,215)</u>	<u>1,011,712</u>	<u>370,637</u>	<u>(200,000)</u>
<u>\$ 131,934</u>	<u>\$ (2,729,383)</u>	<u>\$ 1,644,381</u>	<u>\$ 812,061</u>	<u>\$ 1,504,281</u>
7.59%	8.36%	7.85%	9.75%	10.97%
5.20%	5.69%	6.49%	8.22%	8.82%

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City of Red Wing, Minnesota
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Franchise Tax	Other Tax	Total
2018	\$ 23,207,300	\$ 136,802	\$ 247,661	\$ 33,427	\$ 23,625,190
2017	21,600,286	130,672	252,374	33,363	22,016,695
2016	19,739,845	126,293	250,847	32,902	20,149,887
2015	17,128,029	130,668	231,315	32,451	17,522,463
2014	14,629,367	130,824	228,567	38,402	15,027,160
2013	14,211,500	129,926	216,365	33,119	14,590,910
2012	13,025,172	182,081	357,416	30,405	13,595,074
2011	12,120,279	175,241	148,140	31,924	12,475,584
2010	12,303,314	325,053	140,157	30,403	12,798,927
2009	12,426,555	974,402	129,493	28,443	13,558,893

City of Red Wing, Minnesota
Net Tax Capacity and Estimated Market Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended December 31	Class of Property				
	Residential Property	Commercial/ Industrial Property	Public Utility Property	Agricultural Property	Less Tax Exempt Real Property
2018	\$ 8,935,431	\$ 4,353,535	\$ 18,807,692	\$ 260,322	\$ 104,198
2017	8,786,559	4,334,626	17,506,541	256,976	101,060
2016	8,536,436	4,157,844	15,838,254	258,369	102,208
2015	8,056,859	4,096,607	13,496,394	268,566	105,880
2014	8,060,971	4,057,196	10,151,616	268,099	104,918
2013	8,606,691	4,096,607	10,330,550	243,075	129,902
2012	8,715,559	4,370,842	8,524,214	236,418	142,238
2011	10,165,828	4,607,110	8,198,164	234,771	147,368
2010	10,422,221	4,557,140	7,830,792	255,484	268,738
2009	10,758,334	4,493,366	8,145,933	223,245	858,484

Sources: Springsted Inc. and Goodhue County Auditor.

Note: The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages varies depending on the type and value of the property. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represents a basic element of the State's property tax system and are subject to annual revisions by the State Legislature.

Table 7

<u>Total Real Estate Tax Capacity</u>	<u>Personal Property Tax Capacity</u>	<u>Total Net Tax Capacity</u>	<u>Total Direct Tax Rate</u>	<u>Fully Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Fully Market Value</u>
\$ 32,252,782	\$ 468,523	\$ 32,721,305	70.954	\$ 2,099,589,600	1.56 %
30,783,642	445,760	31,229,402	69.188	2,018,422,300	1.55
28,688,695	415,387	29,104,082	67.536	1,895,730,600	1.54
25,812,546	404,264	26,216,810	65.897	1,728,838,800	1.52
22,432,964	391,636	22,824,600	64.225	1,557,451,200	1.47
23,147,021	387,988	23,535,009	60.149	1,625,696,000	1.46
21,704,795	354,969	22,059,764	59.376	1,551,046,300	1.43
23,058,505	343,826	23,402,331	54.671	1,689,961,300	1.39
22,796,899	321,288	23,118,187	55.132	1,695,585,300	1.38
22,762,394	319,706	23,082,100	55.170	1,740,227,400	1.38

City of Red Wing, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rate		
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Direct Tax Rate
Tax capacity rates (per \$100 of adjusted tax capacity value).			
2018	59.771	11.183	70.954
2017	59.589	9.599	69.188
2016	60.371	7.165	67.536
2015	61.185	4.712	65.897
2014	61.634	2.591	64.225
2013	58.311	1.838	60.149
2012	59.376	-	59.376
2011	54.671	-	54.671
2010	55.132	-	55.132
2009	55.170	-	55.170

Source: Goodhue County Auditor's Office.

Note: Special Districts include the Port Authority and the Housing Redevelopment Authority.

Table 8

Overlapping Rates				Total and Direct Overlapping Rates
County Tax Rate	School District Tax Rate	Special Districts	Total Overlapping Rates	
42.337	16.001	2.473	60.811	131.765
41.696	16.390	2.495	60.581	129.769
41.134	12.806	2.535	56.475	124.011
41.526	14.129	2.305	57.960	123.857
42.926	15.480	2.511	60.917	125.142
45.076	14.646	2.422	62.144	122.293
46.572	19.927	2.598	69.097	128.473
43.214	17.309	2.437	62.960	117.631
42.329	19.528	2.404	64.261	119.393
42.831	17.181	2.406	62.418	117.588

City of Red Wing, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 9

Taxpayer	Type of Business	2018			2009		
		Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Xcel Energy	Utility	\$ 19,152,491	1	58.5 %	\$ 8,362,230	1	36.2 %
Mayo Clinic Health System	Medical Services	249,157	2	0.8	192,138	4	0.8
Red Wing Shoe Company	Manufacturing	193,031	3	0.6	161,623	6	0.7
Menards, Inc.	Retail	192,740	4	0.6	213,890	3	0.9
Wal-Mart Stores Incorporated	Retail	187,404	5	0.6	241,016	2	1.0
Scribe Propco Inc.	Manufacturing	120,308	6	0.4	82,982	10	0.4
Target Corporation	Retail	118,478	7	0.4	168,364	5	0.7
D & B Industries	Manufacturing	114,222	8	0.3	-	-	-
M & E Realty Company	Real Estate	113,386	9	0.3	133,928	7	0.6
Principal Investments LLC	Real Estate	111,079	10	0.3	-	-	-
CJB Real Estate	Real Estate	-		-	97,466	8	0.4
Fairview Woods	Real Estate	-		-	85,663	9	0.4
Total		<u>\$20,552,296</u>		<u>62.8 %</u>	<u>\$ 9,739,300</u>		<u>42.1 %</u>
Total All Property		<u>\$32,721,305</u>			<u>\$ 23,082,100</u>		

Sources: Springsted Inc. and Goodhue County Auditor.

City of Red Wing, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended December 31,	Total Net Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 23,199,969	\$ 23,100,472	99.6 %	\$ -	\$ 23,100,472	99.6 %
2017	21,590,468	21,498,988	99.6	69,321	21,568,309	99.9
2016	19,551,029	19,464,518	99.6	75,682	19,540,200	99.9
2015	17,187,783	17,068,910	99.3	114,700	17,183,610	100.0
2014	14,572,110	14,474,632	99.3	94,335	14,568,967	100.0
2013	14,147,810	13,976,021	98.8	168,952	14,144,973	100.0
2012	13,015,000	12,779,149	98.2	234,014	13,013,163	100.0
2011	12,226,569	12,070,830	98.7	154,338	12,225,168	100.0
2010	12,179,625	11,978,988	98.4	199,718	12,178,706	100.0
2009	12,188,861	12,030,576	98.7	157,526	12,188,102	100.0

Sources: Springsted Inc. and City Administrative Business Department. The numbers presented are the most recent available.

Note: The net levy excludes state aid for property tax relief disparities, if applicable. The net levy is the basis for computing tax capacity rates.

City of Red Wing, Minnesota
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities
	General Obligation Bonds	General Obligation Tax Increment	General Obligation Improvement	Revenue Bonds	Capital Leases	General Obligation Revenue
2018	\$ 40,368,386	\$ -	\$ -	\$ -	\$ -	\$ 9,894,144
2017	28,355,125	-	-	-	-	14,129,585
2016	22,790,094	-	-	-	-	13,063,206
2015	14,831,270	-	-	-	-	14,701,402
2014	7,733,443	-	-	-	-	16,292,988
2013	7,086,754	-	-	-	-	18,580,255
2012	4,210,000	-	250,000	728,442	91,336	20,168,482
2011	1,835,000	-	1,045,000	1,078,551	178,166	21,768,941
2010	-	-	1,920,000	1,131,421	260,711	24,168,891
2009	-	490,000	2,770,000	1,189,090	339,185	24,683,588

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

Total Primary Government	Percentage of Personal Income	Bonded Debt Per Capita
\$ 50,262,530	2.18 %	\$ 3,033
42,484,710	1.85	2,564
35,853,300	1.57	2,167
29,532,672	1.31	1,786
24,026,431	1.10	1,456
25,667,009	1.25	1,557
25,448,260	1.23	1,544
25,905,658	1.34	1,577
27,481,023	1.51	1,670
29,471,863	1.69	1,809

City of Red Wing, Minnesota
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding				Total
	General Obligation Bonds	General Obligation Tax Increment	General Obligation Improvement	General Obligation Revenue	
2018	\$ 40,368,386	\$ -	\$ -	\$ 9,894,144	\$ 50,262,530
2017	28,355,125	-	-	14,129,585	42,484,710
2016	22,790,094	-	-	13,063,206	35,853,300
2015	14,831,270	-	-	14,701,402	29,532,672
2014	7,733,443	-	-	16,292,988	24,026,431
2013	7,086,754	-	-	18,580,255	25,667,009
2012	4,210,000	-	250,000	20,168,482	24,628,482
2011	1,835,000	-	1,045,000	21,768,941	24,648,941
2010	-	-	1,920,000	24,168,891	26,088,891
2009	-	490,000	2,770,000	24,683,588	27,943,588

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 12

Resources Restricted in Debt Service for Repayment		Net General Bonded Debt	Percentage of Fully Taxable Market Value		Per Capita
\$	3,820,935	\$ 46,441,595	2.21	%	\$ 2,802
	3,019,697	39,465,013	1.96		2,381
	1,999,460	33,853,840	1.79		2,046
	975,764	28,556,908	1.65		1,727
	734,870	23,291,561	1.50		1,411
	729,494	24,937,515	1.53		1,512
	710,110	23,918,372	1.54		1,451
	967,112	23,681,829	1.40		1,441
	1,495,690	24,593,201	1.45		1,494
	2,551,266	25,392,322	1.46		1,558

City of Red Wing, Minnesota
Direct and Overlapping Governmental Activities Debt
December 31, 2018

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct Debt			
City of Red Wing	\$ 40,368,386	100.00 %	\$ 40,368,386
Overlapping Debt			
Goodhue County	19,170,000	42.70	8,185,590
Independent School District #256	26,400,000	85.30	22,519,200
Total Overlapping Debt	<u>45,570,000</u>		<u>30,704,790</u>
Total Direct and Overlapping Debt	<u>\$ 85,938,386</u>		<u>\$ 71,073,176</u>

Source: Goodhue County Auditors report of outstanding indebtedness.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Red Wing. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Red Wing, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

Table 14

Fiscal Year	Population	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Bonded Debt Per Capita
2018	16,572	\$ 62,987,688	\$ 36,547,451	\$ 26,440,237	58.02 %	\$ 2,205
2017	16,572	60,552,669	25,335,428	35,217,241	41.84	1,529
2016	16,545	56,871,918	20,790,634	36,081,284	36.56	1,257
2015	16,534	51,865,164	13,855,506	38,009,658	26.71	838
2014	16,505	46,723,536	6,998,573	39,724,963	14.98	424
2013	16,488	48,770,880	6,357,260	42,413,620	13.03	386
2012	16,481	46,531,389	3,749,890	42,781,499	8.06	228
2011	16,432	50,698,839	1,912,888	48,785,951	3.77	116
2010	16,459	50,867,559	424,310	50,443,249	0.83	26
2009	16,294	52,206,822	708,734	51,498,088	1.36	43

Sources: Springsted Inc. and Office of the State Auditor.

Legal Debt Margin Calculation for Fiscal Year 2018

Market Value	\$ 2,099,589,600
Add Back Exempt Real Property	-
Total Assessed Value	<u>2,099,589,600</u>
Debt Limit (3% of Market Value)	<u>62,987,688</u>
Debt Applicable to Limit	
General obligation bonds	40,368,386
Less amount set aside for repayment of general obligation debt	<u>3,820,935</u>
Total Net Debt Applicable to Limit	<u>36,547,451</u>
Legal Debt Margin	<u>\$ 26,440,237</u>

City of Red Wing, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Table 15

Water Revenue Bonds							
Fiscal Year	Operating Revenue	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2018	\$ 3,387,252	\$ 2,167,021	\$ 1,220,231	\$ 888,000	\$ 161,134	\$ 1,049,134	1.16
2017	3,230,339	2,306,568	923,771	863,000	185,462	1,048,462	0.88
2016	3,158,063	2,336,511	821,552	840,000	209,142	1,049,142	0.78
2015	3,138,063	2,208,675	929,388	816,000	232,145	1,048,145	0.89
2014	3,209,233	2,216,611	992,622	794,000	254,528	1,048,528	0.95
2013	3,178,218	2,046,479	1,131,739	772,000	276,290	1,048,290	1.08
2012	3,223,599	2,091,869	1,131,730	811,000	298,766	1,109,766	1.02
2011	3,085,108	2,029,259	1,055,849	786,000	322,306	1,108,306	0.95
2010	2,938,283	1,964,288	973,995	786,000	344,872	1,130,872	0.86
2009	3,040,243	1,970,031	1,070,212	741,000	366,303	1,107,303	0.97

Sewer Revenue Bonds							
Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2018	\$ 4,946,225	\$ 3,704,078	\$ 1,242,147	\$ 475,159	\$ 71,763	\$ 546,922	2.27
2017	4,464,741	3,251,076	1,213,665	638,256	90,023	728,279	1.67
2016	4,288,584	3,705,640	582,944	622,270	108,674	730,944	0.80
2015	3,667,057	3,302,743	364,314	604,660	126,772	731,432	0.50
2014	3,685,334	3,254,753	430,581	587,341	144,327	731,668	0.59
2013	3,413,980	3,018,542	395,438	570,301	161,363	731,664	0.54
2012	3,299,146	2,779,998	519,148	553,533	177,876	731,409	0.71
2011	3,296,135	3,219,432	76,703	538,024	193,898	731,922	0.10
2010	3,160,976	2,876,002	284,974	522,771	209,451	732,222	0.39
2009	3,094,840	2,645,685	449,155	506,760	224,509	731,269	0.61

Marina Revenue Bonds							
Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2018	\$ 583,591	\$ 423,078	\$ 160,513	\$ -	\$ -	\$ -	-
2017	579,144	409,619	169,525	-	-	-	-
2016	456,531	412,140	44,391	-	-	-	-
2015	452,806	442,460	10,346	-	-	-	-
2014	465,919	395,936	69,983	-	57,114	57,114	1.23
2013	451,804	355,315	96,489	90,000	19,978	109,978	0.88
2012	468,258	385,407	82,851	85,000	20,748	105,748	0.78
2011	536,481	429,751	106,730	65,000	51,002	116,002	0.92
2010	566,808	446,809	119,999	65,000	47,117	112,117	1.07
2009	584,087	405,403	178,684	60,000	49,691	109,691	1.63

Disposal System Revenue Bonds							
Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2018	\$ 2,045,943	\$ 2,742,349	\$ (696,406)	\$ -	\$ 84,200	\$ 84,200	(8.27)
2017	2,187,701	2,628,320	(440,619)	180,000	172,373	352,373	(1.25)
2016	2,075,060	2,051,294	23,766	175,000	134,024	309,024	0.08
2015	2,640,815	2,123,354	517,461	170,000	141,376	311,376	1.66
2014	2,403,114	1,862,749	540,365	160,000	147,421	307,421	1.76
2013	2,522,812	2,157,636	365,176	155,000	153,009	308,009	1.19
2012	2,687,895	2,596,386	91,509	150,000	158,159	308,159	0.30
2011	2,643,093	2,962,722	(319,629)	145,000	162,951	307,951	(1.04)
2010	2,405,074	2,757,932	(352,858)	80,000	165,683	245,683	(1.44)
2009	2,226,303	2,573,658	(347,355)	-	146,626	146,626	(2.37)

(1) Operating expenses do not include depreciation.

Source: City Administrative Business Department.

City of Red Wing, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 16

Fiscal Year	Population ⁽¹⁾	Goodhue County Personal Income ⁽²⁾	Goodhue County Per Capita Personal Income ⁽²⁾	Goodhue County Unemployment Rate ⁽³⁾
2018	16,572	\$ 2,300,472,000	\$ 49,682	2.7 %
2017	16,572	2,300,472,000	49,682	3.2
2016	16,545	2,281,877,000	48,888	3.7
2015	16,534	2,248,709,000	48,427	3.5
2014	16,505	2,179,834,000	47,005	3.9
2013	16,488	2,048,302,000	44,149	4.7
2012	16,481	2,064,618,000	44,494	5.2
2011	16,432	1,930,789,000	41,723	6.0
2010	16,459	1,817,438,000	39,339	7.0
2009	16,294	1,747,587,000	37,962	7.6

(1) U.S Census Bureau and Office of the State Auditor.

(2) U.S. Department of Commerce, Bureau of Economic Analysis.

(3) State of Minnesota, Department of Employment and Economic Development.

Note: Personal Income and Unemployment Rate information relevant to the City of Red Wing was only available for Goodhue County as provided above. The 2018 Personal Income information for Goodhue County will not be released until sometime in August of 2019, therefore the 2017 figures were used.

City of Red Wing, Minnesota
Principal Employers
Current Year and Nine Years Ago

	2018		
	Employees	Rank	Percentage of Total City Employment
Treasure Island Casino (a)	1,479 (b)	1	11.79 %
Red Wing Shoe Company	813	2	6.48
Xcel Energy	750	3	5.98
Mayo Clinic Health System	747	4	5.95
Bic Graphic USA	525	5	4.18
3M Fall Protection	509 (b)	6	4.06
Independent School District #256	405 (b)	7	3.23
Goodhue County	356	8	2.84
City of Red Wing	275 (b)	9	2.19
Hiawatha Homecare			-
St. Crispin Living Community (c)	189	10	1.51
Total	<u>6,048</u>		<u>48.21 %</u>
Total City Employment	<u>12,546</u>		

Sources: State of Minnesota, Department of Employment and Economic Development, January 2019 phone survey of individual employers and 2009 Red Wing Housing Study.

(a) Operated by the Prairie Island Mdewakanton Dakota Tribe on tax-exempt reservation land.

(b) Includes full and part-time employees.

(c) In the process of incorporating St. Brigid's at Hi-Park and the Seminary Home.

Table 17

2009		
Employees	Rank	Percentage of Total City Employment
1,528	1	11.89 %
773	3	6.01
752	4	5.85
800	2	6.22
320	8	2.49
457	5	3.55
425	6	3.31
370	7	2.88
181	10	1.41
190	9	1.48
		-
<u>5,796</u>		<u>45.09 %</u>
<u>12,856</u>		

City of Red Wing, Minnesota
Full-Time Equivalent City Government Employees By Function/Program
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of December 31			
	2018	2017	2016	2015
Governmental Activities				
General Government				
Council administrator	-	-	-	-
City clerk	-	-	-	-
Finance	-	-	-	-
Employee services	-	-	-	-
Community development	-	-	-	-
Communications	-	-	-	-
Information services	-	-	-	-
Public Safety				
Police	35	34	32	32
Fire	13	13	12	12
Inspection	2	1	2	2
Streets and Highways				
Maintenance	10	10	12	11
Engineering	7	6	6	7
Culture and Recreation				
Library	10	9	9	9
Parks	6	6	6	6
All Other Governmental Employees				
Cemetery	1	1	1	1
Public services	2	2	3	2
Buildings and grounds	5	5	5	5
Central services	6	6	6	6
Community development	7	6	-	-
Port Authority	0	0	1	1
Sheldon Theatre	5	4	4	4
Internal service administration	25	20	20	21
Business-type Activities				
Refuse and Recycling	13	12	12	11
Water	11	10	11	11
Sewer	15	13	13	13
Storm Water	2	3	2	2
Solid Waste Campus	9	9	10	10
Marina	1	1	1	1
Ambulance	14	13	13	13
Total	199	184	181	181

Sources: City Administrative Business Department and Employee Services Department.

Note: A full-time employee is scheduled to work 2,080 hours per year, including vacation and sick leave.

Table 18

Full-Time Equivalent Employees as of December 31

2014	2013	2012	2011	2010	2009
-	-	-	-	2	2
-	-	-	-	2	2
-	-	-	-	4	4
-	-	-	-	4	4
-	-	1	3	3	3
-	-	-	-	2	2
-	-	-	-	3	3
32	31	31	31	31	31
13	12	12	12	12	12
2	2	2	1	4	4
10	11	10	15	15	11
7	7	7	7	7	7
9	9	8	9	9	9
6	7	7	9	9	9
1	-	-	-	-	1
2	2	2	-	-	-
5	5	5	-	-	-
7	5	6	6	6	6
-	-	-	-	-	-
2	2	2	2	2	3
4	3	3	3	3	3
18	18	17	18	-	-
10	9	9	9	10	13
11	11	11	11	12	11
12	13	14	14	14	14
1	1	1	1	1	1
9	12	12	12	12	13
1	1	1	1	1	1
13	13	12	12	12	12
175	174	173	176	180	181

City of Red Wing, Minnesota
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2018	2017	2016	2015
Elections*				
Number of registered voters	10,289		10,602	
Number of votes cast	7,903		8,557	
Police				
Number of calls for service	15,700	14,341	14,754	14,669
Fire				
Number of fire calls	712	454	639	704
Building Permits				
Newly issued residential permits	24	26	15	18
Total valuation of residential permits	\$ 5,169,015	\$ 3,749,772	\$ 2,723,955	\$ 3,426,276
Newly issued civic, institutional, commercial, & industrial permits	8	4	4	3
Total valuation of civic, institutional, commercial, & industrial permits	\$ 3,484,546	\$ 5,997,178	\$ 5,133,000	\$ 3,349,910
Refuse				
Refuse collected (tons/year)	8,054	7,871	7,041	7,063
Water				
Number of accounts	6,264	6,238	6,231	6,235
Average daily water demand in gallons	1,500,000	1,500,000	1,500,000	1,500,000
Peak daily water demand in gallons	3,300,000	3,300,000	3,300,000	3,300,000
Wastewater				
Peak daily dry weather sewage treatment flow in gallons	6,800,000	6,800,000	6,800,000	6,800,000
Peak daily wet weather sewage treatment flow in gallons	10,000,000	10,000,000	10,000,000	10,000,000

Sources: Various City departments.

* Elections are held in even numbered years.

Table 19

Fiscal Year					
2014	2013	2012	2011	2010	2009
9,644		9,443		9,522	
5,426		8,748		6,568	
14,976	15,497	15,980	15,472	14,479	11,859
732	837	877	920	949	929
17	7	8	9	8	5
\$ 4,514,616	\$ 1,565,000	\$ 1,333,434	\$ 1,539,000	\$ 1,601,745	\$ 1,063,647
8	8	5	4	1	3
\$ 11,728,189	\$ 1,732,280	\$ 3,533,494	\$ 1,708,850	\$ 1,664,000	\$ 1,065,000
6,603	6,614	6,802	6,787	6,458	6,222
6,227	6,205	6,205	6,206	6,249	6,255
1,500,000	1,500,000	1,700,000	1,700,000	1,700,000	1,700,000
3,300,000	3,300,000	4,000,000	4,000,000	4,000,000	4,000,000
6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000
10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

City of Red Wing, Minnesota
Capital Asset Statistics By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2018	2017	2016	2015
General Government				
Municipal governmental buildings	10	9	9	9
Public Safety				
Police				
Police units	22	21	21	20
Fire				
Fire units	9	9	10	9
Public Works				
Street division				
Miles of street	117.93	117.55	117.65	117.56
Parks division				
Parks and playgrounds	34	34	34	34
Acres of parks and playgrounds	943.02	943.02	943.02	943.02
Swimming pools	1	1	1	1
Number of city owned golf courses	1	1	1	1
Parking Ramps				
Number of ramps	3	3	3	3
Water				
Number of deep wells and reservoirs	12	12	12	12
Number of pump stations	8	8	8	8
Number of water treatment facilities	2	2	2	2
Wastewater				
Number of wastewater treatment facilities	2	2	2	2
Lift stations	12	12	12	12
Ambulance				
Ambulance units	4	4	4	4

Sources: Various City departments.

Table 20

Fiscal Year					
2014	2013	2012	2011	2010	2009
9	9	9	9	9	9
18	18	18	17	18	18
8	8	8	7	7	7
117.50	117.50	117.59	117.47	117.33	117.28
34	34	34	34	34	34
943.02	943.02	943.02	943.02	943.02	943.02
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
12	12	12	12	12	12
8	8	8	8	8	8
2	2	2	2	2	2
2	2	2	2	2	2
12	12	12	12	12	12
4	4	4	4	4	4

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SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Red Wing
Red Wing, Minnesota
Schedule of Cash and Investments
December 31, 2018

Schedule A

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
General Pooled Deposits and Investments			
Checking Accounts			
Merchants Bank	Varies	-	\$ 1,510,194
Wells Fargo	Varies	-	5,542
Total Checking Accounts			<u>1,515,736</u>
Petty Cash			<u>2,425</u>
Negotiable Certificates of Deposit			
Citizens Bank NA, Providence, RI	2.20%	3/26/2019	244,855
Bank Hapoalim, New York, NY	1.20%	6/3/2019	49,719
CIT Bank, Salt Lake City, UT	2.10%	7/5/2019	244,424
Comenity Capital Bank, Salt Lake City, UT	2.30%	7/30/2019	244,610
Cathay Bank, Los Angeles, CA	2.00%	8/16/2019	244,106
Customers Bank, Phoenixville, PA	2.10%	8/21/2019	244,233
First Bank McComb, McComb, MS	2.15%	9/16/2019	100,676
Bank of Hope, Los Angeles, CA	1.70%	11/26/2019	49,560
Sallie Mae Bank, Salt Lake City, UT	2.05%	12/20/2019	243,444
Morgan Stanley Bank, Salt Lake City, UT	2.10%	12/23/2019	243,542
MountainOne Bank, North Adams, MA	2.45%	1/21/2020	244,248
Goldman Sachs Bank, New York, NY	2.00%	1/28/2020	245,039
Discover Bank, New York, NY	2.00%	2/19/2020	242,891
Worlds Foremost Bank, Sidney, NE	2.00%	4/15/2020	197,308
American Express Centurian Bank, Salt Lake City, UT	2.10%	6/3/2020	241,663
BMW Bank of North America, Salt Lake City, UT	2.10%	6/15/2020	241,771
Capital One Bank USA, Glen Allen, VA	2.15%	6/17/2020	222,019
Capital One Bank, McLean, VA	2.30%	8/12/2020	242,567
Comenity Bank, Wilmington, DE	2.35%	8/12/2020	197,454
Orrstown Bank, Shippensburg, PA	2.00%	8/28/2020	241,247
Lake City Bank, Warsaw, IN	1.90%	9/8/2020	240,744
Wells Fargo Bank, Sioux Falls, SD	3.00%	6/7/2021	49,853
Peoples Security Bank, Scranton, PA	3.00%	8/31/2021	99,595
Ally Bank, Midvale, UT	3.00%	9/27/2021	243,900
HSBC Bank USA, McLean, VA	2.00%	10/7/2021	237,300
Banknewport, Newport, RI	2.00%	2/28/2022	235,820
Celtic Bank, Salt Lake City, UT	2.15%	7/19/2022	235,249
Community Bank of Chesapeake, Waldorf, MD	2.05%	9/22/2022	233,656
BMO Harris Bank, Chicago, IL	2.00%	11/7/2022	236,393
JP Morgan Chase Bank, Columbus, OH	2.50%	3/29/2023	243,251
Total Negotiable Certificates of Deposit			<u>6,281,137</u>

City of Red Wing
Red Wing, Minnesota
Schedule of Cash and Investments (Continued)
December 31, 2018

Schedule A

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
U.S. Government Securities			
FFCB	4.90%	12/28/2020	1,967,612
FHLB	Step Up 1.00% - 6.00%	2/26/2021	1,487,385
FHLMC	Step Up 1.25% - 6.00%	3/30/2021	821,057
FNMA	Step Up 1.00% - 3.00%	8/24/2021	495,565
FHLMC	Step Up 1.00% - 2.50%	9/30/2021	746,333
FHLB	Step Up 1.00% - 4.00%	1/27/2022	997,220
FHLB	Step Up 1.50% - 3.00%	5/23/2022	726,430
FHLMC	2.20%	7/29/2022	735,518
FHLB	Step Up 1.75% - 3.75%	10/27/2022	499,125
FNMA	2.20%	10/27/2022	490,995
FHLMC	Step Up 1.00% - 3.00%	10/27/2023	1,979,140
FHLMC	Step Up 1.00% - 3.00%	10/27/2023	1,731,695
FNMA	Step Up 1.25% - 4.00%	3/28/2024	497,200
FNMA	Step Up 1.50% - 4.50%	6/14/2024	1,088,681
FHLB	Step Up 1.50% - 8.00%	11/25/2024	484,875
FHLB	Step Up 1.25% - 9.00%	3/28/2025	1,940,080
FHLB	Step Up 1.25% - 9.00%	3/28/2025	970,040
FNMA	Step Up 1.75% - 4.50%	3/17/2026	987,180
FHLMC	Step Up 2.00% - 3.50%	4/28/2026	1,936,860
FHLMC	Step Up 2.00% - 3.50%	4/28/2026	1,055,589
FHLMC	Step Up 2.00% - 3.50%	4/28/2026	1,002,325
FNMA	Step Up 1.50% - 4.50%	4/28/2026	396,248
FHLMC	Step Up 1.50% - 5.00%	6/9/2026	1,985,740
FHLMC	Step Up 1.50% - 5.00%	6/9/2026	1,985,740
FHLB	Step Up 1.50% - 5.00%	9/30/2026	1,280,840
FHLB	Step Up 1.50% - 5.00%	9/30/2026	474,385
FHLB	Step Up 1.50% - 8.00%	10/28/2026	970,680
FHLMC	Step Up 1.50% - 6.00%	10/28/2026	950,850
FHLMC	Step Up 1.50% - 6.00%	10/28/2026	970,680
FHLMC	Step Up 1.50% - 6.00%	10/28/2026	970,680
FHLB	Step Up 1.25% - 4.00%	8/15/2028	994,930
FHLB	Step Up 1.25% - 4.00%	8/15/2028	994,930
FHLB	Step Up 1.50% - 10.00%	11/1/2028	955,550
FNMA POOL	5.00%	5/1/2033	20,955
FNMA POOL	5.00%	5/15/2033	24,980
FNMA POOL	4.50%	6/1/2033	163,775
TBILL	2.05%	1/3/2019	2,499,850
TBILL	1.99%	1/15/2019	4,995,900
TBILL	2.05%	1/22/2019	2,496,800
TBILL	1.94%	2/5/2019	2,494,350
TBILL	2.20%	2/21/2019	2,491,800
TBILL	2.24%	3/7/2019	2,489,425
TBILL	2.25%	3/21/2019	2,487,325
TBILL	2.34%	7/18/2019	5,326,884
Total U.S. Government Securities			<u>61,064,201</u>
Other Investments			
St. Paul Foundation			3,663,607
Broker Money Market Accounts			4,579,786
Total Other Investments			<u>8,243,393</u>
Total General Pooled Deposits and Investments			<u>\$ 77,106,892</u>

City of Red Wing, Minnesota
Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2018

		Special Revenue Funds				
		General Fund	Health Initiatives	Airport	Library	DEED Loan
						Total
Shared Revenue						
State						
Highway users tax	\$ 322,808	\$ -	\$ -	\$ -	\$ -	\$ -
Market value credit	5,162	-	-	-	-	-
Local government aid	959,516	-	-	-	-	-
State PERA aid	32,922	-	-	-	-	-
State police pension aid	221,852	-	-	-	-	-
State fire pension aid	118,144	-	-	-	-	-
Total Shared Revenue	1,660,404	-	-	-	-	-
Grants						
County and Local						
Miscellaneous	78,843	20,968	-	123,174	-	144,142
Total County and Local	78,843	20,968	-	123,174	-	144,142
State						
Minnesota Department of						
Public Safety	6,877	-	-	-	-	-
Police - Toward Zero Deaths	3,343	-	-	-	-	-
Transportation	-	-	43,010	-	-	43,010
Natural Resources	54,069	-	-	-	-	-
Aeronautics	-	-	-	-	-	-
Employment & Economic Development	-	-	-	-	118,452	118,452
Miscellaneous	7,181	-	-	-	-	-
Minnesota Peace Officers Board (POST)	20,695	-	-	-	-	-
Total State	92,165	-	43,010	-	118,452	161,462
Federal						
U.S. Department of						
Justice	1,116	-	-	-	-	-
Transportation	211,912	-	-	-	-	-
Housing and Urban Development	-	-	-	-	118,452	118,452
Total Federal	213,028	-	-	-	118,452	118,452
Total Grants	384,036	20,968	43,010	123,174	236,904	424,056
Total Intergovernmental Revenue	\$ 2,044,440	\$ 20,968	\$ 43,010	\$ 123,174	\$ 236,904	\$ 424,056

Schedule B

Capital Projects Funds

Capital Improvement Assessment	Spring Creek and Highway 61 Access	Levee Wall Improvements	Airport Federal Projects	Sheldon Renewal Project	River Renaissance Phase II	Safe Routes To School Project	Total	Totals All Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 322,808
-	-	-	-	-	-	-	-	5,162
-	-	-	-	-	-	-	-	959,516
-	-	-	-	-	-	-	-	32,922
-	-	-	-	-	-	-	-	221,852
-	-	-	-	-	-	-	-	118,144
-	-	-	-	-	-	-	-	1,660,404
-	-	-	-	-	-	-	-	222,985
-	-	-	-	-	-	-	-	222,985
-	-	-	-	-	-	-	-	6,877
-	-	-	-	-	-	-	-	3,343
731,652	958,165	-	-	-	-	-	1,689,817	1,732,827
-	-	-	-	-	-	-	-	54,069
-	-	-	8,494	-	-	-	8,494	8,494
-	-	860,695	-	635,667	-	-	1,496,362	1,614,814
-	-	-	-	-	-	-	-	7,181
-	-	-	-	-	-	-	-	20,695
731,652	958,165	860,695	8,494	635,667	-	-	3,194,673	3,448,300
-	-	-	-	-	-	-	-	1,116
-	1,406,877	-	-	-	10,771	1,714	1,419,362	1,631,274
-	-	-	-	-	-	-	-	118,452
-	1,406,877	-	-	-	10,771	1,714	1,419,362	1,750,842
731,652	2,365,042	860,695	8,494	635,667	10,771	1,714	4,614,035	5,422,127
\$ 731,652	\$ 2,365,042	\$ 860,695	\$ 8,494	\$ 635,667	\$ 10,771	\$ 1,714	\$ 4,614,035	\$ 7,082,531

City of Red Wing, Minnesota
Detailed Combined Schedule of Indebtedness
For the Year Ended December 31, 2018

<u>Bonded Indebtedness</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Supported by Taxes</u>
<u>General Obligation Bonds</u>				
\$1,835M G.O. Bonds of 2011A	1.928 %	1-Aug-12	1-Feb-22	100%
\$2,375M G.O. Bonds of 2012A	1.488	1-Feb-13	1-Feb-23	100%
\$2,930M G.O. Bonds of 2013A	1.324	1-Feb-14	1-Feb-24	100%
\$1,115M G.O. Bonds of 2014A	1.696	1-Feb-15	1-Feb-24	100%
\$7,735M G.O. Bonds of 2015A	1.507	1-Feb-16	1-Feb-26	100%
\$8,525M G.O. Bonds of 2016A	1.288	25-Aug-16	1-Feb-27	100%
\$6,740M G.O. Bonds of 2017A	1.748	25-May-17	1-Feb-27	100%
\$13,535M G.O. Bonds of 2018A	2.279	26-Apr-18	1-Feb-28	100%
Total General Obligation Bonds				
<u>General Obligation Revenue Bonds</u>				
\$700M Sewer Revenue Note 1997	3.405	2-Dec-97	20-Feb-18	0%
\$2,500M Sewer Revenue Note 1998	3.34	22-May-98	20-Aug-18	0%
\$2,100M Sewer Revenue Note 2002	3.740	11-Oct-02	20-Aug-22	0%
\$15,417M G.O. Water Revenue Bonds 2004	2.819	12-Apr-04	20-Aug-23	0%
\$5,283,360 G.O. Sewer Revenue Bonds 2004	2.340	24-Aug-04	20-Aug-24	0%
\$4,070,000 G.O. Disposal System Bonds 2008A	4.235	15-Sep-08	1-Feb-18	0%
\$2,585M G.O. Refunding Revenue Bonds of 2017A	1.748	25-May-17	1-Feb-29	0%
Total General Obligation Revenue Bonds				
Total City Indebtedness				

Schedule C

<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	<u>Long-term Outstanding</u>	<u>Principal Due in 2019</u>	<u>Interest Due in 2019</u>
\$ 1,835,000	\$ 1,835,000	\$ 1,050,000	\$ 785,000	\$ 190,000	\$ 16,153
2,375,000	2,375,000	1,545,000	830,000	160,000	14,320
2,930,000	2,930,000	1,130,000	1,800,000	300,000	33,000
1,115,000	1,115,000	425,000	690,000	110,000	12,945
7,735,000	7,735,000	1,445,000	6,290,000	750,000	118,300
8,525,000	8,525,000	725,000	7,800,000	820,000	147,800
6,740,000	6,740,000	650,000	6,090,000	605,000	175,625
13,535,000	13,535,000	-	13,535,000	-	793,280
<u>44,790,000</u>	<u>44,790,000</u>	<u>6,970,000</u>	<u>37,820,000</u>	<u>2,935,000</u>	<u>1,311,423</u>
700,000	700,000	700,000	-	-	-
2,500,000	2,500,000	2,500,000	-	-	-
2,100,000	1,494,594	1,096,594	398,000	94,000	14,885
15,417,000	15,283,450	10,455,450	4,828,000	913,000	136,101
5,283,360	5,283,360	3,357,360	1,926,000	303,000	45,068
4,070,000	4,070,000	4,070,000	-	-	-
2,585,000	2,585,000	-	2,585,000	205,000	70,831
<u>32,655,360</u>	<u>31,916,404</u>	<u>22,179,404</u>	<u>9,737,000</u>	<u>1,515,000</u>	<u>266,885</u>
<u>\$ 77,775,440</u>	<u>\$77,036,484</u>	<u>\$ 29,479,484</u>	<u>\$47,557,000</u>	<u>\$4,450,000</u>	<u>\$1,578,308</u>

City of Red Wing, Minnesota
Schedule of Sources and Uses of Public Funds
For Tax Increment District #7-1
For the Year Ended December 31, 2018
(Unaudited)

Schedule D

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax increments received	\$ 6,092,300	\$ 2,306,391	\$ 136,802	\$ (3,649,107)
Interest on invested funds	-	172	-	172
Total Sources of Funds	<u>6,092,300</u>	<u>2,306,563</u>	<u>136,802</u>	<u>(3,648,935)</u>
Uses of Funds				
Acquisition costs	2,615,000	1,031,001	-	1,583,999
Site improvements	602,300	-	-	602,300
Note interest payments	2,460,000	1,160,343	129,962	1,169,695
Administration	295,000	83,694	767	210,539
Capitalized interest	120,000	-	-	120,000
Total Uses of Funds	<u>6,092,300</u>	<u>2,275,038</u>	<u>130,729</u>	<u>3,686,533</u>
District Balance (or Deficiency)	<u>-</u>	<u>31,525</u>	<u>6,073</u>	<u>37,598</u>
Funds Remaining (or Deficiency)	<u>\$ -</u>	<u>\$ 31,525</u>	<u>\$ 6,073</u>	<u>\$ 37,598</u>

SINGLE AUDIT AND OTHER REQUIRED REPORTS

CITY OF RED WING
RED WING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Red Wing, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Red Wing, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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.

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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 18, 2019

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

Honorable Mayor and City Council
City of Red Wing, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Red Wing, Minnesota (the City), as of and for the year ended December 31, 2018, 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 18, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

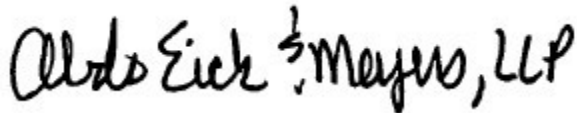
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 18, 2019

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

Honorable Mayor and City Council
City of Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Red Wing's, Red Wing, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

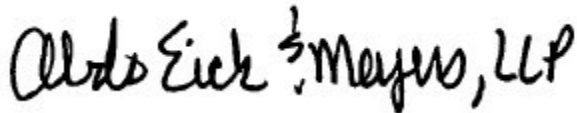
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 18, 2019

City of Red Wing, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Transportation	Minnesota Department of Transportation	Department of Transportation Direct Programs Highway	20.205	156-080-015	\$ 1,736,332
U.S. Department of Housing and Urban Development	Minnesota Department of Employment and Economic Development	Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii	14.228	CDAP-13-0081-O-FY14	118,452
U.S. Department of Justice	Direct	Bulletproof Vest Partnership Program	16.607	N/A	1,116
U.S. Department of Transportation	Minnesota Department of Health	Interagency Hazardous Materials Public Sector Training	20.703	CDAP-16-0035-O-FY17	211,912
U.S. Department of Homeland Security	Direct	Reimbursement of Emergency Health Services Furnished	93.784	N/A	<u>118,812</u>
Total Federal Expenditures					<u><u>\$ 2,186,624</u></u>

City of Red Wing, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Red Wing, Minnesota (the City) under programs of the federal government for the year ended December 31, 2018. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

4. Subrecipients

There were no expenditures in the current year provided to subrecipients.

5. Indirect Cost Rate

During the year ended December 31, 2018 the City did not elect to use the 10 percent de minimis indirect cost rate.

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City of Red Wing, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None.

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Schedule of Prior Year Audit Findings

There were no prior year audit findings.

Other Issues

A Corrective Action Plan is not required because there were no findings required to be reported under 2CFR section 200.516(a).