

CITY OF RED WING  
RED WING, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2017

PREPARED BY:

FINANCE DEPARTMENT

MARSHALL HALLOCK, CPA  
Finance Director

Member GFOA of U.S. and Canada  
Published June 13, 2018

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing  
Red Wing, Minnesota  
Table of Contents  
For the Year Ended December 31, 2017

	<u>Page No.</u>
<b>Introductory Section</b>	
Letter of Transmittal	9
City Officials	17
Organizational Chart	19
GFOA Certificate of Achievement for Excellence in Financial Reporting	21
<b>Financial Section</b>	
Independent Auditor's Report	25
Management's Discussion and Analysis	29
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	45
Statement of Activities	46
Fund Financial Statements	
Governmental Funds	
Balance Sheet	52
Reconciliation of the Balance Sheet to the Statement of Net Position	55
Statement of Revenues, Expenditures and Changes in Fund Balances	56
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	59
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
General Fund	60
PERA Perpetual Fund	61
Proprietary Funds	
Statements of Net Position	62
Statements of Revenues, Expenses and Changes in Net Position	70
Statements of Cash Flows	74
Fiduciary Funds	
Statement of Fiduciary Net Position	82
Notes to the Financial Statements	85
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	133
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	133
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	134
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	134
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	136
Schedule of Employer's Fire Relief Association Contributions	137
Schedule of Employer's Funding Progress for Other Post-Employment Benefit Plan	137

City of Red Wing  
Red Wing, Minnesota  
Table of Contents (Continued)  
For the Year Ended December 31, 2017

Page No.

**Financial Section (Continued)**

**Combining and Individual Fund Financial Statements and Schedules**

Nonmajor Governmental Funds	
Combining Balance Sheet	141
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	142
Nonmajor Special Revenue Funds	
Combining Balance Sheet	146
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	148
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Airport Fund	150
Library Fund	151
DEED Loan Fund	152
Sister Cities Fund	153
Tax Increment District #7.1 Fund	154
Inspection Fund	155
Nonmajor Capital Projects Funds	
Combining Balance Sheet	164
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	168
Nonmajor Permanent Funds	
Combining Balance Sheet	175
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	176
General Fund	
Comparative Balance Sheets	179
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	180
Debt Service Funds	
Combining Balance Sheet	188
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	190
Internal Service Funds	
Combining Statement of Net Position	196
Combining Statement of Revenues, Expenses and Changes in Net Position	198
Combining Statement of Cash Flows	200
Agency Funds	
Combining Statement of Changes in Assets and Liabilities	205
Discretely Presented Component Unit - Port Authority	
Combining Balance Sheet	211
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	212
Summary Financial Report	
Revenue and Expenditures for General Operations - Governmental Funds	213

**Statistical Section (Unaudited)**

Table No.

Financial Trends	
Net Position by Component	1
Changes in Net Position	2
Governmental Activities Tax Revenues by Source	3
Fund Balances of Governmental Funds	4
Changes in Fund Balances of Governmental Funds	5
General Governmental Tax Revenues by Source	6
Revenue Capacity	
Net Tax Capacity and Estimated Market Value of Taxable Property	7
Property Tax Rates - Direct and Overlapping Governments	8
Principal Property Taxpayers	9
Property Tax Levies and Collections	10

City of Red Wing  
Red Wing, Minnesota  
Table of Contents (Continued)  
For the Year Ended December 31, 2017

		<u>Page No.</u>
<b>Statistical Section (Unaudited) (Continued)</b>	<b><u>Table No.</u></b>	
Debt Capacity		
Ratios of Outstanding Debt by Type	11	238
Ratios of Net General Obligation Debt Outstanding	12	240
Direct and Overlapping Governmental Activities Debt	13	242
Legal Debt Margin Information	14	243
Pledged-Revenue Coverage	15	244
Demographic and Economic Information		
Demographic and Economic Statistics	16	245
Principal Employers	17	246
Operating Information		
Full-time Equivalent City Government Employees by Function/Program	18	248
Operating Indicators by Function/Program	19	250
Capital Asset Statistics by Function/Program	20	252
<b>Supplementary Information (Unaudited)</b>	<b><u>Schedule</u></b>	
Schedule of Cash and Investments	A	257
Schedule of Intergovernmental Revenue	B	258
Detailed Combined Schedule of Indebtedness	C	260
Schedule of Sources and Uses of Public Funds		
Tax Increment District #7-1	D	262
<b>Single Audit and Other Required Reports</b>		
Independent Auditor's Report on		
Minnesota Legal Compliance		265
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 <i>Government Auditing Standards</i>		266
Independent Auditor's Report on Compliance		
for Each Major Federal Program and Report on		
Internal Control Over Compliance Required		
by the Uniform Guidance		268
Schedule of Expenditures of Federal Awards		270
Notes to Schedule of Expenditures of Federal Awards		271
Schedule of Findings and Questioned Costs		273

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY





June 13, 2018

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, 2017.

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, 2017 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, 2017, 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 184 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 16,545, which is a 2.6 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 30<sup>th</sup> 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 12,611 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 2017 improved over the 2013 - 2016 fiscal years. In 2017, the City issued 26 permits for new residential construction with a valuation of \$3,749,772 compared to 15 in 2016 with a valuation of \$2,723,955. The 26 residential permits issued in 2017 are above the five-year average of 16.6 residential permits and above the five-year average valuation of \$3,195,924.

In 2017, the City issued 4 civic, institutional, commercial and industrial permits with a valuation of \$5,997,178 compared to 4 in 2016 with a valuation of \$5,133,000 . The 4 civic, institutional and commercial and industrial permits issued in 2017 are below the five-year average of 5.4 civic, institutional, commercial and industrial permits. The valuation of the 4 civic, institutional and commercial permit issued in 2017 is above the five-year average valuation of \$5,588,111.

A total of 30 residential, civic, institutional commercial and industrial permits were issued in 2017 with a combined valuation of \$9,746,950. The 30 residential, civic, institutional commercial and industrial permits issued in 2017 are above the five-year average of 22 residential, civic, institutional commercial and industrial permits. The valuation of the 30 residential, civic, institutional commercial and industrial permits issued in 2017 is above the five-year average valuation of \$8,784,035.

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
2013	\$488,240,300
2014	478,222,300
2015	644,384,800
2016	759,326,600
2017	842,017,800

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 million of street related transportation improvements are being planned over the next 5 years with approximately \$27 million for 2018. 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 2018 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 2017, 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.

In 2017, the City experienced renewed interest in residential development including the construction and grand opening of a private 61 unit market rate residential apartment development. The City also experienced the continued expansion and improvement of senior living facilities at the St. Crispin Living Community.

Work and planning continued in 2017 on Barn Bluff Park 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.

Design work continued in 2017 on Fire Station 2 which will facilitate meeting emergency response time goals within the western sections of the City. The project ground breaking occurred in April of 2018.

Construction concluded on significant complete street improvements including a Safe Routes to School project that involved the construction of a roundabout, the realignment of traffic flows, and installation of other significant safety improvements adjacent to the middle school. The City also completed the downtown street lighting replacement project and its annual street reconstruction project. These projects improved safety, provided multimodal transportation systems, improved environmental quality, provided beautification of the historic downtown district, and generally improved the efficient flow of commerce, pedestrians and bicyclists. Many of the improvements were made possible by leveraging state and federal grants.

Planning and design work continued in 2017 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 ground breaking occurred in May of 2018.

Final design work was completed 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.

The new Highway 63 Bridge ground breaking occurred in 2017. The bridge serves as the local access point between Minnesota and Wisconsin continued. 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.

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.

Construction work and improvements intended to renew and preserve the T.B. Sheldon Theatre and enhance theater goers experience commenced and continued with significant contract awards in early 2018 and contractors commencing activities in May of 2018. 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 21<sup>st</sup> 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.

Preliminary design work continued on the Levee Park Dockage project. This \$4.2 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.

Planning and public engagement commenced or continued in 2017 on the Old West Main Street projects, the River Renaissance projects, and the 3<sup>rd</sup> and Bush Street intersection improvement project. These projects will assist the redevelopment of Old West Main and provide safety improvements.

There were other projects commenced or completed in 2017 that enhanced the quality of life, livability, beauty and recreational opportunities for our community. Improvements were made to regional trails, regional park facilities, the Aquatic Center, and public buildings. 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, 2016. 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 Finance 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 Assistant Finance Director 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,



Marshall Hallock, CPA  
Finance Director



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

## **COUNCIL MEMBERS AND MAYOR**



(Left back row) Red Wing City Council President Kim Beise, Council Member John Becker, Council Member Dustin Schulenberg, Council Member Dan Munson. (Left front row) Council Member Evan Brown, Council Vice-Member Dean Hove, Mayor Sean Dowse, and Council Member Peggy Rehder.

## **APPOINTED OFFICIALS**

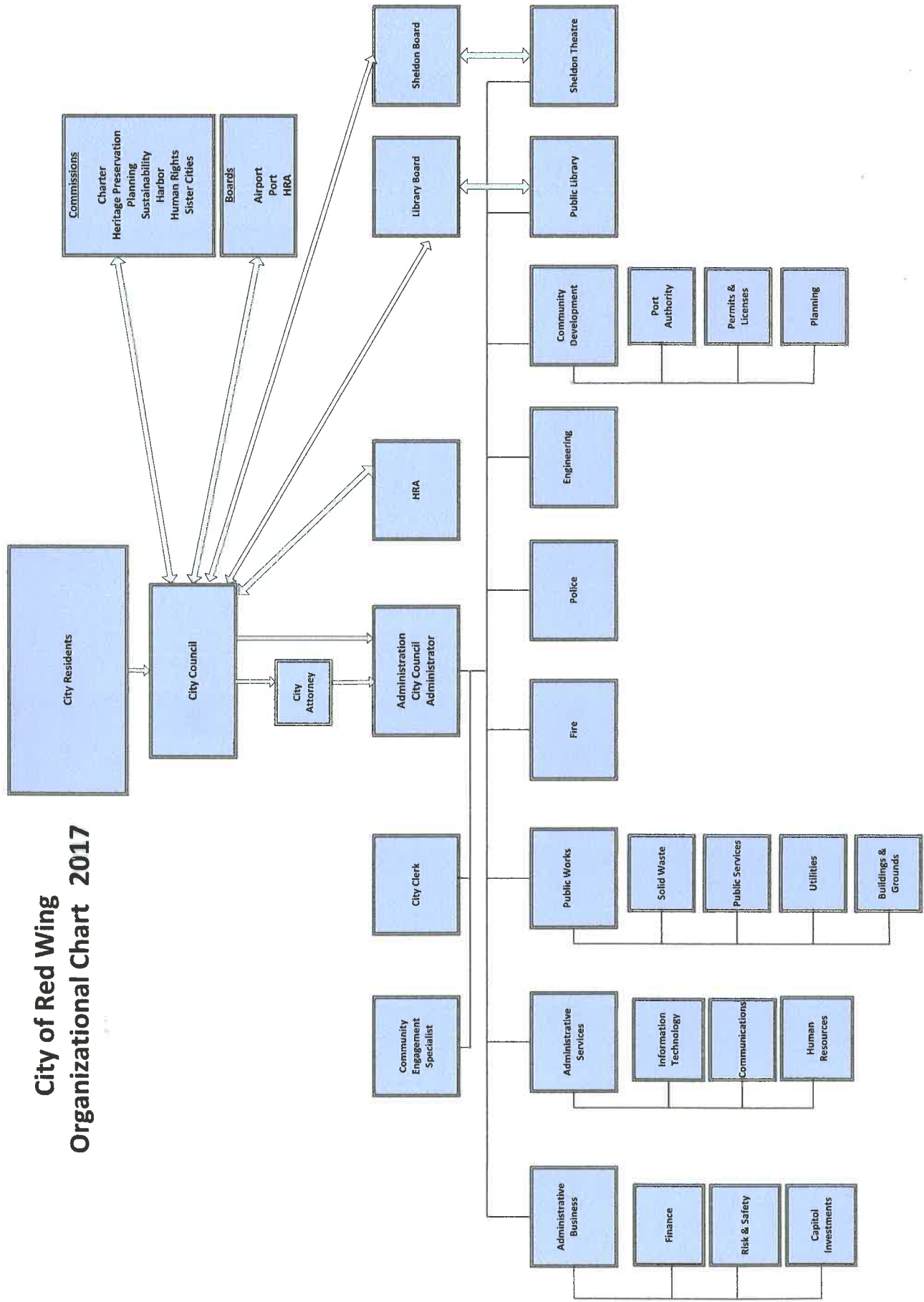
Council Administrator - Kay Kuhlmann  
Administrative Business Director - Marshall Hallock, C.P.A.  
Administrative Services Director - Laura Blair Johnson  
City Clerk - Teri Swanson  
City Attorney - Rupp, Anderson, Squires & Waldspurgen, P.A.  
Public Works Director - Rick Moskwa  
Engineering Director - 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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

# City of Red Wing Organizational Chart 2017



THIS PAGE IS LEFT  
BLANK INTENTIONALLY



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, 2016**

*Christopher P. Morill*

Executive Director/CEO

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FINANCIAL SECTION  
CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



## 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, 2017, 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, 2017, 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## Other Matters

### **Report on Summarized Comparative Information**

We have previously audited the City's 2016 financial statements, and we expressed unmodified opinions on the respective proprietary fund financial statements in our report dated June 26, 2017. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 29 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 Employer's Funding Progress for Other Post-Employment Benefit Plan starting on page 133 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**

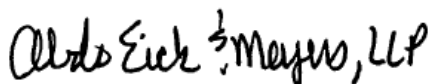
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary information and statistical section are presented 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 13, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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 13, 2018

People  
+ Process®  
Going  
Beyond the  
Numbers

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## 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, 2017. 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 9 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 \$161,100,788 (net position). Of this amount, \$31,597,161 (*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 \$12,398,140, compared to an increase of \$5,739,621 in the previous year. Governmental activities accounted for 90.1 percent of the total increase while business-type activities accounted for a 9.9 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 and overall expenses being less than the previous year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,178,825, an increase of \$6,204,680 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 33.7 percent of this total amount, \$17,266,246, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$33,912,579) is not available for new spending because it is either 1) nonspendable (\$3,537,863), 2) restricted (\$17,219,001), 3) committed (\$6,840,965), or 4) assigned (\$6,314,750) 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 \$37,581,986 compared to \$43,786,666 generated in revenues and other financing sources for governmental programs.
- The General fund reported an increase in fund balance this year of \$3,427,121. Revenues were more than budget by \$119,488 and expenditures were less than the final budget by \$3,463,114. 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 \$18,524,408, or 112.2 percent of total General fund expenditures.
- The City's total bonded debt increased by \$6,043,744, or 17.2 percent during the current fiscal year. This was a result of the City issuing \$9,325,000 in additional debt and retiring principal of \$3,281,256 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**

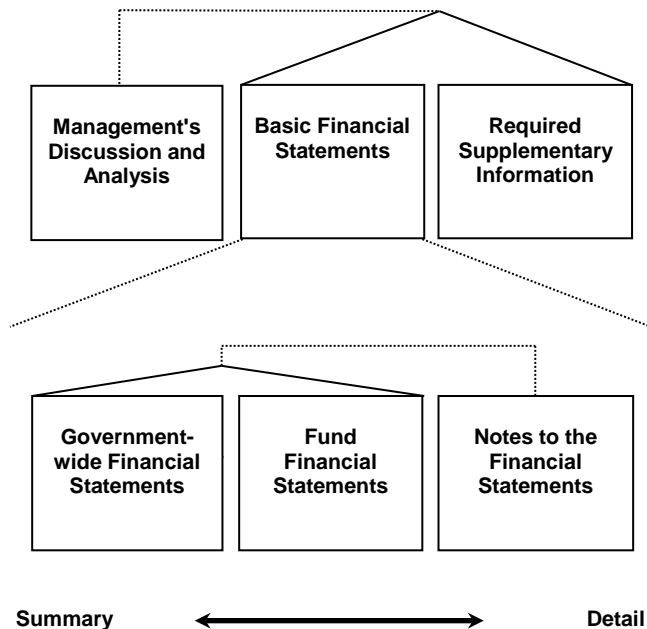


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
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 45 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, six 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 and the Spring Creek 61 Intersection 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 52 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 62 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 82 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 85 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 133 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 141 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 218 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 \$161,100,788 at the close of the most recent fiscal year. A large portion of the City's net position (70.6 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Current and Other Assets	\$ 63,121,299	\$ 57,590,256	\$ 5,531,043	\$ 13,156,386	\$ 11,668,808	\$ 1,487,578
Capital Assets	89,735,494	78,730,936	11,004,558	59,527,496	58,008,084	1,519,412
Total Assets	152,856,793	136,321,192	16,535,601	72,683,882	69,676,892	3,006,990
Deferred Outflows of Resources	7,385,832	10,313,413	(2,927,581)	3,328,131	4,969,936	(1,641,805)
Long-term Liabilities						
outstanding	37,696,916	40,833,937	(3,137,021)	21,737,821	24,439,871	(2,702,050)
Other Liabilities	2,578,908	3,528,952	(950,044)	1,195,284	731,327	463,957
Total Liabilities	40,275,824	44,362,889	(4,087,065)	22,933,105	25,171,198	(2,238,093)
Deferred Inflows of Resources	8,370,466	1,844,381	6,526,085	3,574,455	1,200,317	2,374,138
Net Position						
Net investment in						
capital assets	65,465,148	58,051,200	7,413,948	48,252,911	44,944,878	3,308,033
Restricted	15,331,092	14,254,984	1,076,108	454,476	436,414	18,062
Unrestricted	30,800,095	28,121,151	2,678,944	797,066	2,894,021	(2,096,955)
Total Net Position	\$ 111,596,335	\$ 100,427,335	\$ 11,169,000	\$ 49,504,453	\$ 48,275,313	\$ 1,229,140

Additionally, a portion of the City's net position (9.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (19.6 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 \$11,169,000, accounting for 90.1 percent of the total increase in the City's net position. Key elements of this increase are as follows:

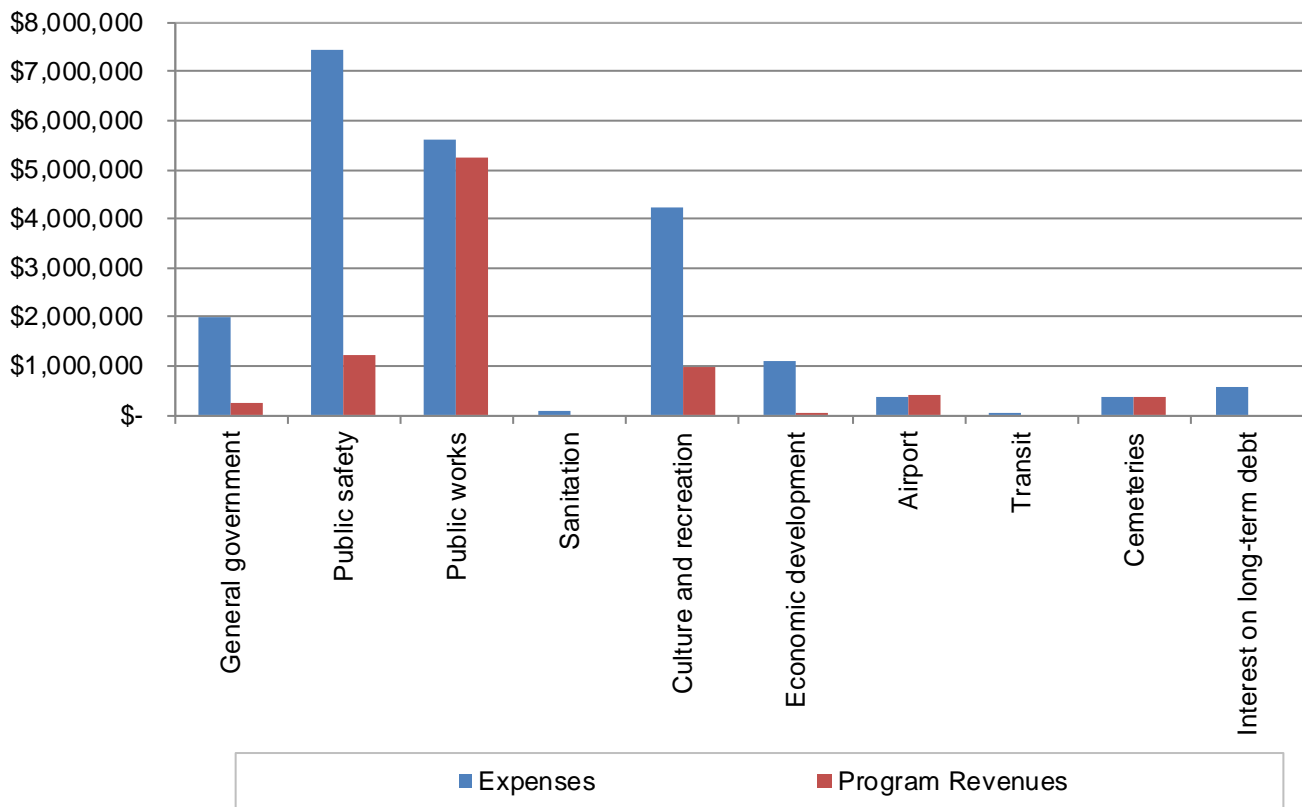
### City of Red Wing's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,676,402	\$ 1,295,984	\$ 380,418	\$ 20,787,305	\$ 19,691,683	\$ 1,095,622
Operating grants and contributions	1,130,771	1,157,393	(26,622)	19,346	36,059	(16,713)
Capital grants and contributions	5,726,499	3,509,448	2,217,051	-	-	-
General Revenues						
Property taxes	21,607,374	19,652,752	1,954,622	-	-	-
Other taxes	421,774	413,929	7,845	-	-	-
Grants and contributions not restricted to specific programs	1,215,076	1,350,331	(135,255)	-	-	-
Unrestricted investment earnings (loss)	818,561	(29,598)	848,159	90,603	211,253	(120,650)
Other	201,387	54,659	146,728	-	-	-
Gain on sale of capital assets	10,316	71,779	(61,463)	60,707	30,807	29,900
Total Revenues	<u>32,808,160</u>	<u>27,476,677</u>	<u>5,331,483</u>	<u>20,957,961</u>	<u>19,969,802</u>	<u>988,159</u>
Expenses						
General government	1,978,680	2,186,067	(207,387)	-	-	-
Public safety	7,458,841	8,359,216	(900,375)	-	-	-
Public works	5,616,530	5,502,852	113,678	-	-	-
Sanitation	96,063	66,457	29,606	-	-	-
Culture and recreation	4,223,786	4,091,398	132,388	-	-	-
Economic development	1,116,449	526,193	590,256	-	-	-
Airport	354,440	375,284	(20,844)	-	-	-
Transit	236	27,885	(27,649)	-	-	-
Cemeteries	368,286	494,246	(125,960)	-	-	-
Interest and fiscal charges	567,690	411,189	156,501	-	-	-
Ambulance	-	-	-	5,044,556	5,496,506	(451,950)
Refuse collection and recycling	-	-	-	2,450,536	2,377,624	72,912
Water	-	-	-	3,250,721	3,291,289	(40,568)
Sewer	-	-	-	4,246,080	4,720,564	(474,484)
Storm water	-	-	-	801,777	639,856	161,921
Solid waste campus	-	-	-	3,242,387	2,575,882	666,505
Marina	-	-	-	550,923	564,350	(13,427)
Total Expenses	<u>21,781,001</u>	<u>22,040,787</u>	<u>(259,786)</u>	<u>19,586,980</u>	<u>19,666,071</u>	<u>(79,091)</u>
Increase (decrease) in net position before transfers	11,027,159	5,435,890	5,591,269	1,370,981	303,731	1,067,250
Transfers	<u>141,841</u>	<u>(883,795)</u>	<u>1,025,636</u>	<u>(141,841)</u>	<u>883,795</u>	<u>(1,025,636)</u>
Change in Net Position	11,169,000	4,552,095	6,616,905	1,229,140	1,187,526	41,614
Net Position - January 1	<u>100,427,335</u>	<u>95,875,240</u>	<u>4,552,095</u>	<u>48,275,313</u>	<u>47,087,787</u>	<u>1,187,526</u>
Net Position - December 31	<u>\$ 111,596,335</u>	<u>\$ 100,427,335</u>	<u>\$ 11,169,000</u>	<u>\$ 49,504,453</u>	<u>\$ 48,275,313</u>	<u>\$ 1,229,140</u>

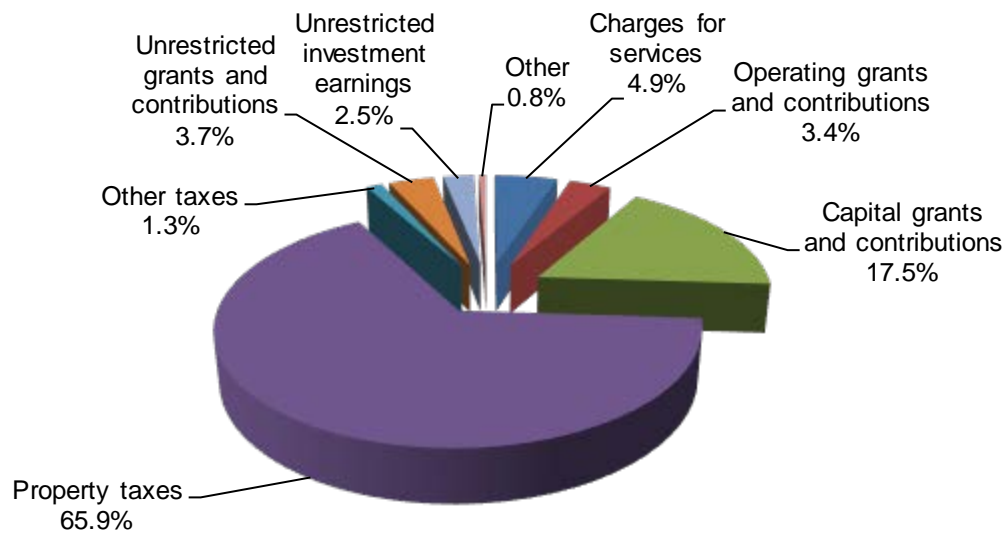
- The 2017 general levy was \$18,480,862 and the special taxing district levy was \$385,565. The 2016 general levy was \$17,380,169 and the special taxing district levy was \$363,725.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

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

### Expenses and Program Revenues - Governmental Activities



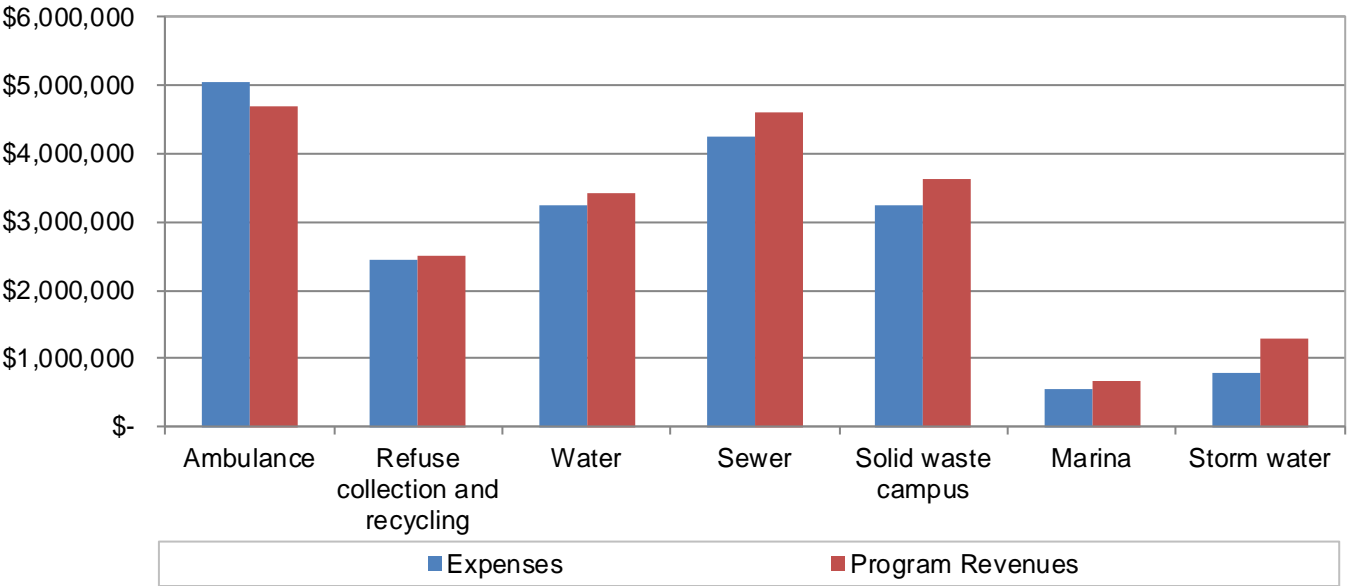
### Revenues by Source - Governmental Activities



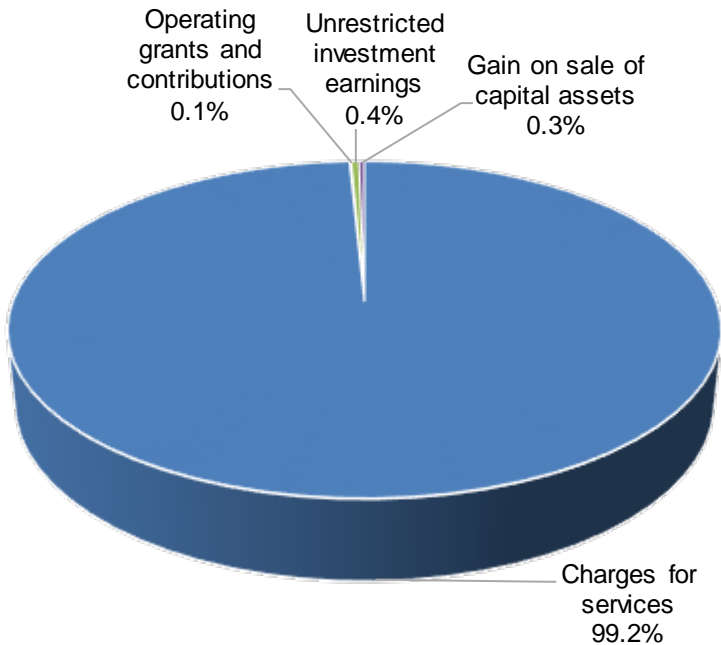
**Business-type Activities.** Business-type activities increased the City’s net position by \$1,229,140, accounting for a 9.9 percent increase in the total growth in the City’s net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$1,095,622 or 5.6 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 \$51,178,825, an increase of \$6,204,680 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 33.7 percent of this total amount, \$17,266,246, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$33,912,579) is not available for new spending because it is either 1) nonspendable (\$3,537,863), 2) restricted (\$17,219,001), 3) committed (\$6,840,965), or 4) assigned (\$6,314,750) 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 \$18,524,408, while total fund balance reached \$26,235,359. 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 112.2 percent of total General fund expenditures, while total fund balance represents 158.9 percent of that same amount.

The fund balance of the City's General fund increased by \$3,427,121 during the current fiscal year. Key factors in this increase are as follows:

- The increase in fund balance is \$4,871,826 more than the budgeted decrease in fund balance of \$1,444,705. This variance results from revenues being more than budget by \$119,488, expenditures and transfers out being less than budget by \$3,463,114 and \$2,910,803, respectively, and other financing sources being less than budget by \$1,621,579 primarily due to delays in planned capital acquisitions and improvement projects.

The *PERA Perpetual fund* has a total fund balance of \$9,005,767, all of which is restricted for future police and fire expenditures. The net increase in fund balance during the current year in the PERA Perpetual fund was \$79,349. The increase is largely a result of investment income net of transfers to the General fund.

The *Debt Service fund* has a total fund balance of \$3,019,697, 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 \$1,020,237. 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 \$5,013,884. The net decrease in fund balance during the current year in the Capital Improvement Assessment fund was \$154,589. The decrease is largely a result of \$867,140 of special assessment revenue less public works expenditures of \$149,956 and transfers out of \$944,012.

The *Spring Creek #61 Intersection Fund* has a total fund balance deficit of \$938,814. The net decrease in fund balance during the current year in the fund was \$1,859,350. The decrease is largely a result of project costs exceeding currently available financing sources.

**Proprietary Funds.** Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,023,933. Total increase in net position for enterprise funds was \$1,685,050. 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 \$149,351 in net adjustments increasing intergovernmental revenues, \$1,105 in net adjustments increasing charges for services, \$94,870 in net adjustments increasing miscellaneous revenues, \$2,018,347 in net adjustments increasing capital expenditures, \$36,166 in net adjustments increasing general government expenditures, \$104,392 in net adjustments increasing public safety expenditures, \$100,367 in net adjustments increasing public works expenditures, \$61,816 in net adjustments increasing culture and recreation expenditures, \$5,000 in net adjustments increasing economic development, and \$6,400 in net adjustments increasing contingencies related to transferring budget authority to other activities, and \$642,457 in net reductions decreasing other financing uses.

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

- Other Federal and other State aids were under budget by \$57,339 and \$267,811, respectively, due to the timing of capital projects.
- Investment income was \$299,540 over budget resulting from greater investment returns and market value adjustments.
- Total general government expenditures were under budget by \$210,171.
- Total public safety expenditures were under budget by \$207,182.
- Total public works expenditures were under budget by \$255,794.
- Total culture and recreation expenditures were over budget by \$178,239.
- Total economic development expenditures were under budget by \$230,077.
- Total contingent expenditures were under budget by \$466,432.
- Capital outlay expenditures were under budget by \$2,229,821 due to the timing of capital projects.
- Transfers out were \$2,910,803 under budget.

## 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, 2017, amounts to \$149,262,990 (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 2017 and prior years with costs during the year of \$11,596,397. Of this amount, \$2,316,187 related to ongoing improvements to the solid waste facilities in the Solid Waste Campus enterprise fund, \$1,864,406 related to the ongoing 2017 street reconstruction project, \$1,336,606 related to the ongoing Highway 63 improvement project, \$1,257,973 related to the ongoing downtown street lighting improvement project, \$1,132,349 related to ongoing Safe Routes to School improvements, \$865,380 related to ongoing Spring Creek Road/TH #61 improvements, \$1,331,773 related to other ongoing street and pavement improvements, \$595,927 related to other ongoing public facility improvements, \$428,570 related to ongoing park improvements, \$329,267 related to ongoing cemetery improvements, \$133,028 related to ongoing wastewater enterprise improvements, and \$4,931 related to ongoing water enterprise improvements.
- Building additions and other improvements of \$1,652,870, of which \$692,229 related to the various public facilities and building improvements, \$432,661 related to storm water enterprise improvements, \$425,773 related to various park improvements, \$58,958 related to Marina enterprise improvements, \$43,249 related to wastewater enterprise improvements.

Additional information on the City's capital assets can be found in Note 3D starting on page 101 of this report.

**City of Red Wing's Capital Assets**  
(net of depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 9,097,551	\$ 6,095,373	\$ 3,002,178	\$ 214,980	\$ 214,980	\$ -
Construction in Progress	49,799,099	40,656,848	9,142,251	10,220,635	7,766,489	2,454,146
Buildings	9,206,192	9,013,330	192,862	23,591,748	24,242,636	(650,888)
Improvements	3,539,109	3,415,183	123,926	6,230,584	5,992,521	238,063
Machinery and Equipment	677,225	588,846	88,379	509,502	543,263	(33,761)
Office Equipment	289,287	137,205	152,082	-	-	-
Vehicles	4,165,743	4,175,374	(9,631)	2,621,981	2,596,709	25,272
Infrastructure	12,961,288	14,648,777	(1,687,489)	16,138,066	16,651,486	(513,420)
Total	<u>\$ 89,735,494</u>	<u>\$ 78,730,936</u>	<u>\$ 11,004,558</u>	<u>\$ 59,527,496</u>	<u>\$ 58,008,084</u>	<u>\$ 1,519,412</u>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$41,260,159. Of this amount, \$13,955,159 comprises revenue related debt backed by the full faith and credit of the City and \$27,305,000 is general obligation debt.

**City of Red Wing's Outstanding Debt**

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 27,305,000	\$ 22,165,000	\$ 5,140,000	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	13,955,159	13,051,415	903,744
Total	<u>\$ 27,305,000</u>	<u>\$ 22,165,000</u>	<u>\$ 5,140,000</u>	<u>\$ 13,955,159</u>	<u>\$ 13,051,415</u>	<u>\$ 903,744</u>

The City's total bonded debt increased by \$6,043,744, (17.2 percent) during the current fiscal year. This was a result of the City issuing \$9,325,000 in additional debt and retired principal of \$3,281,256 during the year.

The City maintains an "Aa2" rating. Such was reaffirmed by Moody's in 2017.

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 \$60,552,669, 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 109 of this report.



## **Economic Factors and Next Year's Budgets and Rates**

The City's officials considered many factors when setting the fiscal-year 2018 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 3.4 percent, which is a decrease from a rate of 3.7 percent last year. This compares with unemployment rates of 3.1 percent for the State of Minnesota and 4.1 percent for the United States.
- Impact of property tax growth with stabilized residential tax base coupled with increased utility tax base. The City's local property tax rate for 2018 was increased by 2.55 percent over 2017.
- 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 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 2018 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 4<sup>th</sup> Street, Red Wing, Minnesota 55066. This report is also available on the City's website: <http://www.red-wing.org>.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Statement of Net Position  
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
<b>Assets</b>				
Cash and investments	\$ 53,053,484	\$ 9,473,874	\$ 62,527,358	\$ 1,750,390
Assets held in endowment	620,519	-	620,519	-
Cash held with fiscal agent	-	2,707,953	2,707,953	-
Receivables				
Accrued interest	119,287	13,141	132,428	-
Delinquent taxes	148,868	-	148,868	2,770
Accounts - net of allowance for doubtful accounts of \$545,547	288,502	2,685,041	2,973,543	49,822
Loans	212,634	-	212,634	1,291,704
Special assessments	2,168,402	-	2,168,402	-
Intergovernmental	808,969	-	808,969	1,631
Loans to other governments	63,817	-	63,817	-
Internal balances	2,007,860	(2,007,860)	-	-
Loans to component unit	339,428	-	339,428	-
Inventories	69,120	254,472	323,592	-
Prepaid items	1,727	29,765	31,492	-
Land held for resale	2,818,705	-	2,818,705	-
Pension asset	399,977	-	399,977	-
Capital assets				
Nondepreciable	58,896,650	10,435,615	69,332,265	175,042
Depreciable, net of accumulated depreciation	30,838,844	49,091,881	79,930,725	369,668
<b>Total Assets</b>	<b>152,856,793</b>	<b>72,683,882</b>	<b>225,540,675</b>	<b>3,641,027</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	7,385,832	3,328,131	10,713,963	36,906
<b>Liabilities</b>				
Accounts and contracts payable	1,821,516	775,053	2,596,569	11,044
Escrow accounts and deposits payable	73,139	-	73,139	-
Due to other governments	118,419	126,699	245,118	338,035
Loans from primary government	-	-	-	339,428
Accrued interest payable	292,444	180,086	472,530	-
Salaries payable	225,357	112,428	337,785	2,189
Unearned revenue	48,033	1,018	49,051	-
Noncurrent liabilities				
Due within one year	3,820,618	4,616,363	8,436,981	-
Due in more than one year	33,876,298	17,121,458	50,997,756	163,512
<b>Total Liabilities</b>	<b>40,275,824</b>	<b>22,933,105</b>	<b>63,208,929</b>	<b>854,208</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	8,370,466	3,574,455	11,944,921	32,623
<b>Net Position</b>				
Net investment in capital assets	65,465,148	48,252,911	113,718,059	544,710
Restricted				
Permanently restricted				
Library endowments	620,519	-	620,519	-
Cemetery perpetual	1,852,367	-	1,852,367	-
Temporarily restricted				
Debt service	2,743,681	-	2,743,681	-
Police and fire activities	9,047,411	-	9,047,411	-
DNR snowmobile grant	12,300	-	12,300	-
Future loans	245,929	-	245,929	-
Sister cities activities	196	-	196	-
Tax increment activities	31,525	-	31,525	-
Library activities	18,905	-	18,905	-
Cemetery operations	758,259	-	758,259	-
Ash landfill	-	454,476	454,476	-
Unrestricted	30,800,095	797,066	31,597,161	2,246,392
<b>Total Net Position</b>	<b>\$ 111,596,335</b>	<b>\$ 49,504,453</b>	<b>\$ 161,100,788</b>	<b>\$ 2,791,102</b>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,978,680	\$ 242,075	\$ 953	\$ -
Public safety	7,458,841	717,634	518,585	-
Public works	5,616,530	205,902	291,923	4,767,380
Sanitation	96,063	-	-	-
Culture and recreation	4,223,786	204,738	276,345	489,657
Economic development	1,116,449	20,474	-	-
Airport	354,440	102,222	42,965	276,156
Transit	236	-	-	-
Cemeteries	368,286	183,357	-	193,306
Interest and fiscal charges	567,690	-	-	-
Total Governmental Activities	<u>21,781,001</u>	<u>1,676,402</u>	<u>1,130,771</u>	<u>5,726,499</u>
Business-Type Activities				
Ambulance	5,044,556	4,676,409	17,602	-
Refuse collection and recycling	2,450,536	2,494,292	389	-
Water	3,250,721	3,435,180	422	-
Sewer	4,246,080	4,593,955	493	-
Storm water	801,777	1,303,006	70	-
Solid waste campus	3,242,387	3,618,528	313	-
Marina	550,923	665,935	57	-
Total Business-type Activities	<u>19,586,980</u>	<u>20,787,305</u>	<u>19,346</u>	<u>-</u>
Totals Primary Government	<u>\$ 41,367,981</u>	<u>\$ 22,463,707</u>	<u>\$ 1,150,117</u>	<u>\$ 5,726,499</u>
Component Unit				
Port authority	<u>\$ 270,391</u>	<u>\$ 215,597</u>	<u>\$ 50</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

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
\$ (1,735,652)		\$ (1,735,652)	
(6,222,622)		(6,222,622)	
(351,325)		(351,325)	
(96,063)		(96,063)	
(3,253,046)		(3,253,046)	
(1,095,975)		(1,095,975)	
66,903		66,903	
(236)		(236)	
8,377		8,377	
(567,690)		(567,690)	
<u>(13,247,329)</u>		<u>(13,247,329)</u>	
	\$ (350,545)	(350,545)	
	44,145	44,145	
	184,881	184,881	
	348,368	348,368	
	501,299	501,299	
	376,454	376,454	
	115,069	115,069	
	<u>1,219,671</u>	<u>1,219,671</u>	
<u>(13,247,329)</u>	<u>1,219,671</u>	<u>(12,027,658)</u>	
			<u>\$ (54,744)</u>
18,570,054	-	18,570,054	-
-	-	-	385,707
3,037,320	-	3,037,320	-
130,672	-	130,672	-
252,374	-	252,374	-
38,728	-	38,728	691
1,215,076	-	1,215,076	94
818,561	90,603	909,164	2,468
201,387	-	201,387	-
10,316	60,707	71,023	-
141,841	(141,841)	-	-
<u>24,416,329</u>	<u>9,469</u>	<u>24,425,798</u>	<u>388,960</u>
11,169,000	1,229,140	12,398,140	334,216
<u>100,427,335</u>	<u>48,275,313</u>	<u>148,702,648</u>	<u>2,456,886</u>
<u>\$ 111,596,335</u>	<u>\$ 49,504,453</u>	<u>\$ 161,100,788</u>	<u>\$ 2,791,102</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



FUND FINANCIAL STATEMENTS

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2017

	General	PERA Perpetual	Debt Service
<b>Assets</b>			
Cash and investments	\$ 23,540,373	\$ 9,125,465	\$ 3,007,529
Assets held in endowment	-	-	-
Receivables			
Accrued interest	68,765	24,372	-
Delinquent taxes	132,440	-	16,428
Accounts (net of allowance)	193,625	-	-
Loans	-	-	-
Special assessments	-	-	-
Intergovernmental	91,145	-	12,168
Loans to other governments	63,817	-	-
Due from other funds	2,129,342	-	-
Advances to other funds	1,000,000	-	-
Loans to component unit	-	-	-
Prepaid items	-	-	-
Land held for resale	-	-	-
<b>Total Assets</b>	<b>\$ 27,219,507</b>	<b>\$ 9,149,837</b>	<b>\$ 3,036,125</b>
<b>Liabilities</b>			
Accounts payable	\$ 613,282	\$ -	\$ -
Escrow accounts payable	33,395	-	-
Contracts payable	-	-	-
Due to other funds	-	144,070	-
Due to other governments	1,860	-	-
Salaries payable	115,394	-	-
Deposits payable	39,744	-	-
Unearned revenue	48,033	-	-
<b>Total Liabilities</b>	<b>851,708</b>	<b>144,070</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
Taxes	132,440	-	16,428
Special assessments	-	-	-
Intergovernmental	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>132,440</b>	<b>-</b>	<b>16,428</b>
<b>Fund Balances</b>			
Nonspendable	1,063,817	-	-
Restricted	2,504,393	9,005,767	3,019,697
Committed	3,600,000	-	-
Assigned	542,741	-	-
Unassigned	18,524,408	-	-
<b>Total Fund Balances</b>	<b>26,235,359</b>	<b>9,005,767</b>	<b>3,019,697</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 27,219,507</b>	<b>\$ 9,149,837</b>	<b>\$ 3,036,125</b>

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

Capital Improvement Assessment	Spring Creek #61 Intersection Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,385,264	\$ -	\$ 8,673,491	\$ 45,732,122
-	-	620,519	620,519
2,353	-	10,267	105,757
-	-	-	148,868
-	-	47,990	241,615
-	-	194,080	194,080
2,168,402	-	-	2,168,402
71,559	-	634,097	808,969
-	-	-	63,817
-	-	-	2,129,342
442,114	-	-	1,442,114
359,429	-	-	359,429
-	-	1,160	1,160
2,818,705	-	-	2,818,705
<u>\$ 7,247,826</u>	<u>\$ -</u>	<u>\$ 10,181,604</u>	<u>\$ 56,834,899</u>
\$ -	\$ 19,867	\$ 333,901	\$ 967,050
-	-	-	33,395
-	-	142,800	142,800
-	918,947	727,446	1,790,463
-	-	116,559	118,419
-	-	17,966	133,360
-	-	-	39,744
-	-	-	48,033
-	938,814	1,338,672	3,273,264
-	-	-	148,868
2,168,402	-	-	2,168,402
65,540	-	-	65,540
<u>2,233,942</u>	<u>-</u>	<u>-</u>	<u>2,382,810</u>
-	-	2,474,046	3,537,863
-	-	2,689,144	17,219,001
-	-	3,240,965	6,840,965
5,013,884	-	758,125	6,314,750
-	(938,814)	(319,348)	17,266,246
<u>5,013,884</u>	<u>(938,814)</u>	<u>8,842,932</u>	<u>51,178,825</u>
<u>\$ 7,247,826</u>	<u>\$ -</u>	<u>\$ 10,181,604</u>	<u>\$ 56,834,899</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2017

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

Total Fund Balances - Governmental Funds	\$ 51,178,825
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	89,370,275
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	(27,305,000)
Unamortized bond premiums, net of amortization	(1,050,125)
Other postemployment benefits obligation	(665,418)
Pension liability	(6,974,450)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes	148,868
Special assessments	2,168,402
Intergovernmental	65,540
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	399,977
Governmental funds do not report a liability for accrued interest until due and payable.	(292,444)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	7,385,832
Deferred inflows of pension resources	(8,370,466)
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>5,536,519</u>
Total Net Position - Governmental Activities	<u><u>\$ 111,596,335</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, 2017

	General	PERA Perpetual	Debt Service
Revenues			
Taxes	\$ 18,854,048	\$ -	\$ 3,031,975
Special assessments	-	-	-
Licenses and permits	73,586	-	-
Intergovernmental	1,933,592	-	-
Charges for services	641,399	-	-
Fines and forfeits	72,630	-	-
Investment income	449,540	201,888	-
Miscellaneous	485,092	-	5,318
Total Revenues	<u>22,509,887</u>	<u>201,888</u>	<u>3,037,293</u>
Expenditures			
Current			
General government	1,657,839	-	-
Public safety	6,172,479	-	-
Public works	2,639,235	-	-
Sanitation	84,249	-	-
Culture and recreation	2,331,482	-	-
Economic development	932,222	-	-
Airport	-	-	-
Cemeteries	286,930	-	-
Contingencies and other	153,065	-	-
Capital outlay			
General government	38,944	-	-
Public safety	915,272	-	-
Public works	495,144	-	-
Culture and recreation	587,699	-	-
Economic development	162,074	-	-
Airport	-	-	-
Cemeteries	56,858	-	-
Debt service			
Principal retirement	-	-	1,600,000
Interest and fiscal charges	-	-	515,743
Total Expenditures	<u>16,513,492</u>	<u>-</u>	<u>2,115,743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,996,395</u>	<u>201,888</u>	<u>921,550</u>
Other Financing Sources (Uses)			
Sale of capital assets	33,429	-	-
Transfers in	486,776	-	-
Bonds issued	632,063	-	91,940
Premiums on bonds issued	46,389	-	6,747
Transfers out	(3,767,931)	(122,539)	-
Total Other Financing Sources (Uses)	<u>(2,569,274)</u>	<u>(122,539)</u>	<u>98,687</u>
Net Change in Fund Balances	3,427,121	79,349	1,020,237
Fund Balances, January 1	<u>22,808,238</u>	<u>8,926,418</u>	<u>1,999,460</u>
Fund Balances, December 31	<u>\$ 26,235,359</u>	<u>\$ 9,005,767</u>	<u>\$ 3,019,697</u>

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



Capital Improvement Assessment	Spring Creek #61 Intersection Fund	Other Governmental Funds	Totals
\$ -	\$ -	\$ 130,672	\$ 22,016,695
867,140	-	-	867,140
-	-	316,808	390,394
-	-	4,135,916	6,069,508
5,000	-	75,466	721,865
-	-	9,427	82,057
10,323	-	110,752	772,503
32,827	9,913	471,969	1,005,119
<u>915,290</u>	<u>9,913</u>	<u>5,251,010</u>	<u>31,925,281</u>
-	-	-	1,657,839
-	-	157,413	6,329,892
149,956	-	44,069	2,833,260
-	-	-	84,249
-	-	1,275,457	3,606,939
-	-	165,846	1,098,068
-	-	233,749	233,749
-	-	-	286,930
-	-	-	153,065
-	-	-	38,944
-	-	68,125	983,397
-	3,592,584	6,941,609	11,029,337
-	-	757,782	1,345,481
-	-	-	162,074
-	-	309,655	309,655
-	-	329,267	386,125
-	-	-	1,600,000
-	-	-	515,743
<u>149,956</u>	<u>3,592,584</u>	<u>10,282,972</u>	<u>32,654,747</u>
<u>765,334</u>	<u>(3,582,671)</u>	<u>(5,031,962)</u>	<u>(729,466)</u>
6,137	-	-	39,566
17,952	725,000	3,357,444	4,587,172
-	930,064	5,085,933	6,740,000
-	68,257	373,254	494,647
(944,012)	-	(92,757)	(4,927,239)
<u>(919,923)</u>	<u>1,723,321</u>	<u>8,723,874</u>	<u>6,934,146</u>
(154,589)	(1,859,350)	3,691,912	6,204,680
<u>5,168,473</u>	<u>920,536</u>	<u>5,151,020</u>	<u>44,974,145</u>
<u>\$ 5,013,884</u>	<u>\$ (938,814)</u>	<u>\$ 8,842,932</u>	<u>\$ 51,178,825</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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, 2017

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

Net Change in Fund Balances - Governmental Funds	\$ 6,204,680
--	--------------

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	14,322,043
Depreciation expense	(3,532,982)

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 traded-in capital assets	3,596
Book value of disposed of capital assets	(69,778)

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	1,600,000
Bonds issued	(6,740,000)
Bonds premiums issued, net of amortization	(425,031)

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.

(121,563)

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	7,135
Special assessments	799,406
State (MSA) grants	(10,040)

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	(46,826)
------------------------------------	----------

Long-term pension activity is not reported in governmental funds.

Pension expense	(570,741)
Direct aid contributions	30,004

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.

(280,903)

Change in Net Position - Governmental Activities	<u>\$ 11,169,000</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  
General Fund  
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 19,005,415	\$ 19,005,415	\$ 18,854,048	\$ (151,367)
Licenses and permits	57,180	57,180	73,586	16,406
Intergovernmental	2,076,776	2,226,127	1,933,592	(292,535)
Charges for services	514,690	515,795	641,399	125,604
Fines and forfeits	76,100	76,100	72,630	(3,470)
Investment income	150,000	150,000	449,540	299,540
Miscellaneous				
Interest on notes and loans	9,723	9,723	-	(9,723)
Rents	138,820	138,820	164,694	25,874
Contributions and donations	63,000	88,875	77,541	(11,334)
Refunds	-	-	32,067	32,067
Other	53,369	122,364	210,790	88,426
Total Revenues	<u>22,145,073</u>	<u>22,390,399</u>	<u>22,509,887</u>	<u>119,488</u>
Expenditures				
Current				
General government	1,831,844	1,868,010	1,657,839	210,171
Public safety	6,275,269	6,379,661	6,172,479	207,182
Public works	2,794,662	2,895,029	2,639,235	255,794
Sanitation	66,442	66,442	84,249	(17,807)
Culture and recreation	2,091,427	2,153,243	2,331,482	(178,239)
Economic development	1,157,299	1,162,299	932,222	230,077
Cemeteries	346,613	346,613	286,930	59,683
Contingencies and other	613,097	619,497	153,065	466,432
Capital outlay				
General government	4,700	388,738	38,944	349,794
Public safety	172,575	880,438	915,272	(34,834)
Public works	800,400	1,034,312	495,144	539,168
Culture and recreation	876,990	1,683,324	587,699	1,095,625
Economic development	538,800	425,000	162,074	262,926
Cemeteries	74,000	74,000	56,858	17,142
Total Expenditures	<u>17,644,118</u>	<u>19,976,606</u>	<u>16,513,492</u>	<u>3,463,114</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,500,955</u>	<u>2,413,793</u>	<u>5,996,395</u>	<u>3,582,602</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	33,429	33,429
Transfers in	399,979	446,736	486,776	40,040
Bonds issued	2,373,500	2,373,500	632,063	(1,741,437)
Premiums on bonds issued	-	-	46,389	46,389
Transfers out	(7,274,434)	(6,678,734)	(3,767,931)	2,910,803
Total Other Financing Sources (Uses)	<u>(4,500,955)</u>	<u>(3,858,498)</u>	<u>(2,569,274)</u>	<u>1,289,224</u>
Net Change in Fund Balances	-	(1,444,705)	3,427,121	4,871,826
Fund Balances, January 1	<u>22,808,238</u>	<u>22,808,238</u>	<u>22,808,238</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 22,808,238</u>	<u>\$ 21,363,533</u>	<u>\$ 26,235,359</u>	<u>\$ 4,871,826</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Investment income	\$ 217,000	\$ 217,000	\$ 201,888	\$ (15,112)
Other Financing Sources (Uses)				
Transfers out	<u>(82,500)</u>	<u>(82,500)</u>	<u>(122,539)</u>	<u>(40,039)</u>
Net Change in Fund Balances	134,500	134,500	79,349	(55,151)
Fund Balances, January 1	<u>8,926,418</u>	<u>8,926,418</u>	<u>8,926,418</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 9,060,918</u></u>	<u><u>\$ 9,060,918</u></u>	<u><u>\$ 9,005,767</u></u>	<u><u>\$ (55,151)</u></u>

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

City of Red Wing, Minnesota  
Statements of Net Position  
Proprietary Funds (Continued on the Following Pages)  
December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/319/488/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2017	2016	2017	2016
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,473,875	\$ 1,350,837	\$ 2,568,902	\$ 2,589,915
Cash held with fiscal agent	-	-	-	-
Receivables				
Accrued interest	847	847	759	759
Accounts - net of allowance for doubtful accounts of \$535,547 and \$424,758, respectively	428,225	425,731	506,415	479,359
Loans	-	-	-	-
Inventories	-	-	204,921	204,624
Prepaid items	30	30	-	1,927
<b>Total Current Assets</b>	<b>1,902,977</b>	<b>1,777,445</b>	<b>3,280,997</b>	<b>3,276,584</b>
<b>Noncurrent Assets</b>				
Capital assets at cost				
Land	-	-	37,791	37,791
Construction in progress	-	-	139,131	134,200
Buildings	-	-	15,787,276	15,787,276
Improvements other than buildings	76,638	76,638	4,611,689	4,611,689
Machinery and equipment	240,819	193,494	145,732	145,732
Office equipment	-	-	-	-
Vehicles	2,188,892	2,054,186	567,779	567,779
Infrastructure	-	-	12,372,452	12,372,452
Less accumulated depreciation	(1,433,311)	(1,358,814)	(11,527,428)	(10,860,072)
<b>Total Capital Assets</b>	<b>1,073,038</b>	<b>965,504</b>	<b>22,134,422</b>	<b>22,796,847</b>
<b>Total Noncurrent Assets</b>	<b>1,073,038</b>	<b>965,504</b>	<b>22,134,422</b>	<b>22,796,847</b>
<b>Total Assets</b>	<b>2,976,015</b>	<b>2,742,949</b>	<b>25,415,419</b>	<b>26,073,431</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	289,172	489,490	313,137	540,696

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

Business-type Activities-Enterprise Funds

602/650/317/320/321 322/323/402/490/492 Sewer Utility		603/307/403/406 Solid Waste Campus		605 Marina		610 Ambulance	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 614,122	\$ 205,857	\$ 2,586,119	\$ 3,054,047	\$ -	\$ -	\$ -	\$ 226,636
-	-	2,707,953	-	-	-	-	-
-	-	2,528	-	-	-	-	-
633,157	566,081	359,702	330,918	28,251	-	503,933	480,189
-	-	-	-	-	-	-	-
34,185	40,144	-	-	15,366	15,390	-	-
10,722	14,479	-	1,927	19,013	18,363	-	-
1,292,186	826,561	5,656,302	3,386,892	62,630	33,753	503,933	706,825
134,839	134,839	42,350	42,350	-	-	-	-
6,550,255	6,417,227	3,531,249	1,215,062	-	-	-	-
11,321,724	11,321,724	6,589,962	6,589,962	-	-	-	-
4,683,594	4,640,345	1,605,028	1,605,028	2,269,059	2,210,101	-	-
2,030,347	2,030,347	43,464	43,464	6,679	6,679	260,286	249,432
-	-	-	-	-	-	-	-
1,279,335	1,306,640	1,404,447	1,263,847	38,525	38,525	879,364	754,221
15,933,154	15,933,154	-	-	-	-	-	-
(17,484,132)	(16,712,806)	(3,048,328)	(2,687,907)	(2,014,062)	(1,983,718)	(519,176)	(557,259)
24,449,116	25,071,470	10,168,172	8,071,806	300,201	271,587	620,474	446,394
24,449,116	25,071,470	10,168,172	8,071,806	300,201	271,587	620,474	446,394
25,741,302	25,898,031	15,824,474	11,458,698	362,831	305,340	1,124,407	1,153,219
365,223	619,919	232,072	364,341	42,836	69,189	2,033,438	2,804,881

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Red Wing, Minnesota  
Statements of Net Position  
Proprietary Funds (Continued)  
December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	652		Totals		
	Storm Water				
	2017	2016	2017	2016	2017
Assets					
Current Assets					
Cash and investments	\$ 2,230,856	\$ 1,848,842	\$ 9,473,874	\$ 9,276,134	\$ 7,321,362
Cash held with fiscal agent	-	-	2,707,953	-	-
Receivables					
Accrued interest	9,007	5,062	13,141	6,668	13,530
Accounts - net of allowance for doubtful accounts of \$535,547 and \$424,758, respectively	225,358	245,139	2,685,041	2,527,417	46,887
Loans	-	-	-	-	18,554
Inventories	-	-	254,472	260,158	69,120
Prepaid items	-	-	29,765	36,726	567
Total Current Assets	2,465,221	2,099,043	15,164,246	12,107,103	7,470,020
Noncurrent Assets					
Capital assets at cost					
Land	-	-	214,980	214,980	-
Construction in progress	-	-	10,220,635	7,766,489	-
Buildings	-	-	33,698,962	33,698,962	7,825
Improvements other than buildings	568,684	136,023	13,814,692	13,279,824	-
Machinery and equipment	-	-	2,727,327	2,669,148	36,221
Office equipment	-	-	-	-	478,272
Vehicles	452,781	427,038	6,811,123	6,412,236	400,119
Infrastructure	-	-	28,305,606	28,305,606	-
Less accumulated depreciation	(239,392)	(178,585)	(36,265,829)	(34,339,161)	(557,218)
Total Capital Assets	782,073	384,476	59,527,496	58,008,084	365,219
Total Noncurrent Assets	782,073	384,476	59,527,496	58,008,084	365,219
Total Assets	3,247,294	2,483,519	74,691,742	70,115,187	7,835,239
Deferred Outflows of Resources					
Deferred pension resources	52,253	81,420	3,328,131	4,969,936	-

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

City of Red Wing, Minnesota  
Statements of Net Position  
Proprietary Funds (Continued)  
December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/319/488/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts payable	\$ 58,585	\$ 3,047	\$ 47,076	\$ 86,534
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds - current portion	-	-	-	-
Due to other governments	26,607	26,001	89,788	50,749
Accrued interest payable	-	-	58,236	67,028
Salaries payable	22,886	18,960	19,155	20,678
Compensated absences payable - current portion	72,470	47,706	78,772	75,843
Unearned revenue	-	-	-	-
G.O. revenue bonds payable - current portion	-	-	888,000	863,000
Total Current Liabilities	<u>180,548</u>	<u>95,714</u>	<u>1,181,027</u>	<u>1,163,832</u>
Noncurrent Liabilities				
Compensated absences payable	53,297	61,456	109,693	110,579
Other postemployment benefits obligation	100,732	91,408	124,469	114,661
Advances from other funds	-	-	-	-
G.O. revenue bonds payable	-	-	4,828,000	5,716,000
Pension liability	1,072,911	1,359,994	1,161,832	1,502,268
Total Noncurrent Liabilities	<u>1,226,940</u>	<u>1,512,858</u>	<u>6,223,994</u>	<u>7,443,508</u>
Total Liabilities	<u>1,407,488</u>	<u>1,608,572</u>	<u>7,405,021</u>	<u>8,607,340</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>255,616</u>	<u>165,286</u>	<u>276,801</u>	<u>182,577</u>
Net Position				
Net investment in capital assets	1,073,038	965,504	16,418,422	16,217,847
Restricted for ash landfill	-	-	-	-
Unrestricted	<u>529,045</u>	<u>493,077</u>	<u>1,628,312</u>	<u>1,606,363</u>
Total Net Position	<u>\$ 1,602,083</u>	<u>\$ 1,458,581</u>	<u>\$ 18,046,734</u>	<u>\$ 17,824,210</u>

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

Business-type Activities-Enterprise Funds

602/650/317/320/321 322/323/402/490/492 Sewer Utility		603/307/403/406 Solid Waste Campus		605 Marina		610 Ambulance	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 74,068	\$ 72,546	\$ 123,880	\$ 107,871	\$ 1,852	\$ 1,407	\$ 16,040	\$ 21,360
-	53,924	262,290	36,075	-	-	-	-
-	-	-	-	129,504	110,137	209,375	20,087
-	-	-	-	90,000	95,000	-	-
-	-	4,051	3,123	-	-	6,253	4,217
26,471	33,355	95,379	54,289	-	-	-	-
23,361	24,108	13,497	12,308	2,465	2,335	28,366	27,197
94,297	92,387	33,140	23,803	12,199	4,132	93,430	108,876
-	-	-	-	1,018	1,018	-	-
475,159	638,256	2,855,000	180,000	-	-	-	-
693,356	914,576	3,387,237	417,469	237,038	214,029	353,464	181,737
87,028	84,649	46,160	54,825	2,091	12,759	115,790	86,905
143,829	133,036	80,518	75,574	10,615	9,366	131,145	119,788
-	-	1,000,000	-	352,114	442,114	-	-
2,324,000	2,799,159	2,759,426	2,866,791	-	-	-	-
1,355,087	1,722,379	861,058	1,012,285	158,934	192,233	1,374,241	4,021,382
3,909,944	4,739,223	4,747,162	4,009,475	523,754	656,472	1,621,176	4,228,075
4,603,300	5,653,799	8,134,399	4,426,944	760,792	870,501	1,974,640	4,409,812
322,843	209,328	205,143	123,027	37,865	23,363	2,429,997	469,243
21,649,957	21,634,055	7,408,746	5,025,015	300,201	271,587	620,474	446,394
-	-	454,476	436,414	-	-	-	-
(469,575)	(979,232)	(146,218)	1,811,639	(693,191)	(790,922)	(1,867,266)	(1,367,349)
\$ 21,180,382	\$ 20,654,823	\$ 7,717,004	\$ 7,273,068	\$ (392,990)	\$ (519,335)	\$ (1,246,792)	\$ (920,955)

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Statements of Net Position  
Proprietary Funds (Continued)  
December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	652		Totals		
	Storm Water				
	2017	2016	2017	2016	2017
Liabilities					
Current Liabilities					
Accounts payable	\$ 171,233	\$ 144	\$ 492,734	\$ 292,909	\$ 711,666
Contracts payable	20,029	-	282,319	89,999	-
Due to other funds	-	-	338,879	130,224	-
Advances from other funds - current portion	-	-	90,000	95,000	-
Due to other governments	-	-	126,699	84,090	-
Accrued interest payable	-	-	180,086	154,672	-
Salaries payable	2,698	3,053	112,428	108,639	91,997
Compensated absences payable - current portion	13,896	13,120	398,204	365,867	800,618
Unearned revenue	-	-	1,018	1,018	-
G.O. revenue bonds payable - current portion	-	-	4,218,159	1,681,256	-
Total Current Liabilities	<u>207,856</u>	<u>16,317</u>	<u>6,240,526</u>	<u>3,003,674</u>	<u>1,604,281</u>
Noncurrent Liabilities					
Compensated absences payable	12,903	6,827	426,962	418,000	901,305
Other postemployment benefits obligation	13,823	12,206	605,131	556,039	-
Advances from other funds	-	-	1,352,114	442,114	-
G.O. revenue bonds payable	-	-	9,911,426	11,381,950	-
Pension liability	193,876	226,218	6,177,939	10,036,759	-
Total Noncurrent Liabilities	<u>220,602</u>	<u>245,251</u>	<u>18,473,572</u>	<u>22,834,862</u>	<u>901,305</u>
Total Liabilities	<u>428,458</u>	<u>261,568</u>	<u>24,714,098</u>	<u>25,838,536</u>	<u>2,505,586</u>
Deferred Inflows of Resources					
Deferred pension resources	<u>46,190</u>	<u>27,493</u>	<u>3,574,455</u>	<u>1,200,317</u>	<u>-</u>
Net Position					
Net investment in capital assets	782,073	384,476	48,252,911	44,944,878	365,219
Restricted for ash landfill	-	-	454,476	436,414	-
Unrestricted	<u>2,042,826</u>	<u>1,891,402</u>	<u>1,023,933</u>	<u>2,664,978</u>	<u>4,964,434</u>
Total Net Position	<u>\$ 2,824,899</u>	<u>\$ 2,275,878</u>	49,731,320	48,046,270	<u>\$ 5,329,653</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(226,867)	229,043	
Net Position of Business-type Activities			<u>\$ 49,504,453</u>	<u>\$ 48,275,313</u>	

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

City of Red Wing, Minnesota  
Statements of Revenues, Expenses and Changes in Net Position  
Proprietary Funds (Continued on the Following Pages)  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/319/488/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	\$ 2,453,774	\$ 2,442,372	\$ 3,124,849	\$ 3,040,432
Sales	-	-	-	-
Cost of goods sold	-	-	-	-
Miscellaneous	40,907	37,178	105,490	118,398
Total Operating Revenues	<u>2,494,681</u>	<u>2,479,550</u>	<u>3,230,339</u>	<u>3,158,830</u>
Operating Expenses				
Personal services	706,956	703,051	725,166	741,875
Employee benefits	297,849	342,695	281,059	324,076
Supplies	214,620	182,572	323,678	319,273
Cost of merchandise sold	-	-	-	-
Professional services	78,266	56,036	295,898	377,238
Rent and leased equipment	-	-	2,434	39,517
Repairs and maintenance	145,316	111,931	111,688	85,448
Administration and fiscal charges	732,977	731,951	495,937	421,763
Insurance premiums	11,411	14,019	20,734	21,495
Insurance claims	-	-	-	-
Depreciation	193,201	184,187	667,356	678,234
Bad debt expense	-	-	-	-
Miscellaneous	2,250	170	49,974	5,826
Total Operating Expenses	<u>2,382,846</u>	<u>2,326,612</u>	<u>2,973,924</u>	<u>3,014,745</u>
Operating Income (Loss)	<u>111,835</u>	<u>152,938</u>	<u>256,415</u>	<u>144,085</u>
Nonoperating Revenues (Expenses)				
Intergovernmental				
State grant	-	-	-	-
Investment income (loss)	8,533	14,330	53,196	62,429
Rents and leases	-	-	110,947	107,616
Contributions and donations	-	-	-	-
Refunds	-	-	5,057	-
Miscellaneous	-	-	89,259	88,877
Gain (loss) on sale of capital assets	28,865	-	51	4,049
Interest and fiscal charges	-	-	(176,670)	(200,584)
Amortization expense	-	-	-	-
Bond issuance costs	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>37,398</u>	<u>14,330</u>	<u>81,840</u>	<u>62,387</u>
Income (Loss) Before Transfers	149,233	167,268	338,255	206,472
Transfers In	-	-	-	-
Transfers Out	<u>(5,731)</u>	<u>(31,376)</u>	<u>(115,731)</u>	<u>(31,376)</u>
Change in Net Position	143,502	135,892	222,524	175,096
Net Position, January 1	<u>1,458,581</u>	<u>1,322,689</u>	<u>17,824,210</u>	<u>17,649,114</u>
Net Position, December 31	<u>\$ 1,602,083</u>	<u>\$ 1,458,581</u>	<u>\$ 18,046,734</u>	<u>\$ 17,824,210</u>

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

Business-type Activities-Enterprise Funds

<b>602/650/317/320/321 322/323/402/490/492</b> Sewer Utility		<b>603/307/403/406</b> Solid Waste Campus		<b>605</b> Marina		<b>610</b> Ambulance	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 4,418,385	\$ 4,215,409	\$ 2,187,388	\$ 2,071,117	\$ 535,361	\$ 426,916	\$ 4,672,266	\$ 4,864,814
-	-	-	-	130,574	123,449	-	-
-	-	-	-	(86,848)	(94,583)	-	-
46,356	73,175	313	3,943	57	749	-	-
4,464,741	4,288,584	2,187,701	2,075,060	579,144	456,531	4,672,266	4,864,814
868,204	860,320	541,655	493,848	131,571	134,573	1,062,881	991,838
340,851	417,796	277,497	217,550	51,789	48,168	518,387	871,639
744,664	752,412	363,052	275,893	15,809	12,286	124,642	108,313
-	-	-	-	-	-	-	-
631,359	758,251	1,098,144	874,142	75,938	81,960	236,799	205,145
3,397	4,491	28,172	3,814	2,411	2,119	-	-
254,047	559,372	145,954	60,077	28,303	41,653	35,295	50,798
339,414	284,454	128,466	99,073	80,514	68,380	16,593	19,461
53,516	56,345	19,315	20,337	1,488	68	10,507	11,070
-	-	-	-	-	-	-	-
798,631	830,796	360,421	365,160	30,344	35,199	82,774	65,197
-	-	-	-	-	-	2,858,487	3,110,699
15,624	12,199	26,065	6,560	21,796	22,933	832	2,956
4,049,707	4,536,436	2,988,741	2,416,454	439,963	447,339	4,947,197	5,437,116
415,034	(247,852)	(801,040)	(341,394)	139,181	9,192	(274,931)	(572,302)
-	-	-	-	-	-	9,109	12,627
-	155,064	4,886	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,493	-
-	-	677,492	2,056	-	-	3,796	15,264
129,707	115,698	753,648	640,707	-	-	347	768
4,347	3,274	21,487	23,484	-	-	1,607	-
(83,139)	(101,961)	(167,306)	(129,438)	(12,836)	(15,038)	-	-
-	-	(926)	(926)	-	-	-	-
-	-	(44,305)	-	-	-	-	-
50,915	172,075	1,244,976	535,883	(12,836)	(15,038)	23,352	28,659
465,949	(75,777)	443,936	194,489	126,345	(5,846)	(251,579)	(543,643)
175,341	-	-	1,000,000	-	-	-	-
(115,731)	(31,376)	-	(22,077)	-	-	(74,258)	-
525,559	(107,153)	443,936	1,172,412	126,345	(5,846)	(325,837)	(543,643)
20,654,823	20,761,976	7,273,068	6,100,656	(519,335)	(513,489)	(920,955)	(377,312)
<u>\$ 21,180,382</u>	<u>\$ 20,654,823</u>	<u>\$ 7,717,004</u>	<u>\$ 7,273,068</u>	<u>\$ (392,990)</u>	<u>\$ (519,335)</u>	<u>\$ (1,246,792)</u>	<u>\$ (920,955)</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Red Wing, Minnesota  
Statements of Revenues, Expenses and Changes in Net Position  
Proprietary Funds (Continued )  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	652		Totals		
	Storm Water				
	2017	2016	2017	2016	2017
Operating Revenues					
Charges for services	\$ 1,303,778	\$ 1,325,296	\$ 18,695,801	\$ 18,386,356	\$ 10,308,988
Sales	-	-	130,574	123,449	-
Cost of goods sold	-	-	(86,848)	(94,583)	-
Miscellaneous	70	881	193,193	234,324	90,771
Total Operating Revenues	<u>1,303,848</u>	<u>1,326,177</u>	<u>18,932,720</u>	<u>18,649,546</u>	<u>10,399,759</u>
Operating Expenses					
Personal services	196,170	166,100	4,232,603	4,091,605	3,487,267
Employee benefits	-	-	1,767,432	2,221,924	5,176,358
Supplies	85,784	77,866	1,872,249	1,728,615	507,329
Cost of merchandise sold	-	-	-	-	688,938
Professional services	434,673	306,044	2,851,077	2,658,816	907,508
Rent and leased equipment	-	-	36,414	49,941	23,003
Repairs and maintenance	-	-	720,603	909,279	112,161
Administration and fiscal charges	-	-	1,793,901	1,625,082	129,550
Insurance premiums	-	-	116,971	123,334	325,527
Insurance claims	-	-	-	-	7,312
Depreciation	60,807	59,014	2,193,534	2,217,787	44,648
Bad debt expense	-	-	2,858,487	3,110,699	-
Miscellaneous	-	-	116,541	50,644	264,024
Total Operating Expenses	<u>777,434</u>	<u>609,024</u>	<u>18,559,812</u>	<u>18,787,726</u>	<u>11,673,625</u>
Operating Income (Loss)	<u>526,414</u>	<u>717,153</u>	<u>372,908</u>	<u>(138,180)</u>	<u>(1,273,866)</u>
Nonoperating Revenues (Expenses)					
Intergovernmental					
State grant	-	-	9,109	12,627	-
Investment income (loss)	23,988	(20,570)	90,603	211,253	46,058
Rents and leases	-	-	110,947	107,616	-
Contributions and donations	-	-	8,493	-	-
Refunds	-	-	686,345	17,320	-
Miscellaneous	-	-	972,961	846,050	-
Gain (loss) on sale of capital assets	4,350	-	60,707	30,807	-
Interest and fiscal charges	-	-	(439,951)	(447,021)	-
Amortization expense	-	-	(926)	(926)	-
Bond issuance costs	-	-	(44,305)	-	-
Total Nonoperating Revenues (Expenses)	<u>28,338</u>	<u>(20,570)</u>	<u>1,453,983</u>	<u>777,726</u>	<u>46,058</u>
Income (Loss) Before Transfers	<u>554,752</u>	<u>696,583</u>	<u>1,826,891</u>	<u>639,546</u>	<u>(1,227,808)</u>
Transfers In	-	-	175,341	1,000,000	554,408
Transfers Out	<u>(5,731)</u>	<u>-</u>	<u>(317,182)</u>	<u>(116,205)</u>	<u>(72,500)</u>
Change in Net Position	<u>549,021</u>	<u>696,583</u>	<u>1,685,050</u>	<u>1,523,341</u>	<u>(745,900)</u>
Net Position, January 1	<u>2,275,878</u>	<u>1,579,295</u>	<u>48,046,270</u>	<u>46,522,929</u>	<u>6,075,553</u>
Net Position, December 31	<u>\$ 2,824,899</u>	<u>\$ 2,275,878</u>	<u>\$ 49,731,320</u>	<u>\$ 48,046,270</u>	<u>\$ 5,329,653</u>
Changes in net position as shown above			\$ 1,685,050	\$ 1,523,341	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(455,910)</u>	<u>(335,815)</u>	
Changes in net position of business-type activities			<u>\$ 1,229,140</u>	<u>\$ 1,187,526</u>	

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

City of Red Wing, Minnesota  
Statements of Cash Flows  
Proprietary Funds (Continued on the Following Pages)  
For the Years Ended December 31, 2017 and 2016

Business-type Activities-Enterprise Funds					
		600	601/651/319/488/494		
		Refuse	Water Utility		
		Collection			
		& Recycling			
		2017	2016	2017	2016
Cash Flows From Operating Activities					
Receipts from customers and users		\$ 2,450,891	\$ 2,424,518	\$ 3,097,371	\$ 3,045,759
Receipts from interfund services provided		-	-	-	-
Payments to vendors and suppliers		(1,128,696)	(1,106,470)	(1,299,132)	(1,288,833)
Payments to and on behalf of employees		(970,996)	(960,635)	(1,014,128)	(1,021,206)
Other receipts		40,907	37,178	310,753	314,891
Net Cash Provided (Used) by Operating Activities		392,106	394,591	1,094,864	1,050,611
Cash Flows From Noncapital Financing Activities					
Grants received		-	-	-	-
Loan payments received		-	-	-	-
Loans made		-	-	-	-
(Increase) decrease in due from other funds		-	-	-	-
Increase (decrease) in due to other funds		-	-	-	-
Transfers from other funds		-	-	-	-
Transfers to other funds		(5,731)	(31,376)	(115,731)	(31,376)
Net Cash Provided (Used) by Noncapital Financing Activities		(5,731)	(31,376)	(115,731)	(31,376)
Cash Flows From Capital and Related Financing Activities					
Proceeds from bonds issued, net		-	-	-	-
Proceeds from sale of capital assets		28,865	-	51	4,049
Principal paid on bonds and leases		-	-	(863,000)	(840,000)
Interest and fiscal charges paid on bonds and leases		-	-	(185,462)	(209,142)
Payments for acquisition and construction of capital assets		(300,735)	-	(4,931)	(6,262)
Advances received from other funds		-	-	-	-
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		(271,870)	-	(1,053,342)	(1,051,355)
Cash Flows From Investing Activities					
Interest receipts (payments)		8,533	14,330	53,196	62,623
Net Increase (Decrease) in Cash And Cash Equivalents		123,038	377,545	(21,013)	30,503
Cash and Cash Equivalents, January 1		1,350,837	973,292	2,589,915	2,559,412
Cash and Cash Equivalents, December 31		\$ 1,473,875	\$ 1,350,837	\$ 2,568,902	\$ 2,589,915
Reconcillation of Cash and Cash Equivalents					
Cash and investments		\$ 1,473,875	\$ 1,350,837	\$ 2,568,902	\$ 2,589,915
Cash held with fiscal agent		-	-	-	-
Total Cash and Cash Equivalents		\$ 1,473,875	\$ 1,350,837	\$ 2,568,902	\$ 2,589,915

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

Business-type Activities-Enterprise Funds

<b>602/650/317/320/321</b> <b>322/323/402/490/492</b> Sewer Utility		<b>603/307/403/406</b> Solid Waste Campus		<b>605</b> Marina		<b>610</b> Ambulance	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 4,350,816	\$ 4,144,270	\$ 2,158,291	\$ 2,024,337	\$ 550,779	\$ 455,033	\$ 1,790,035	\$ 1,913,338
-	-	-	-	-	-	-	-
(2,071,201)	(2,407,824)	(1,754,060)	(1,346,383)	(226,440)	(231,802)	(427,952)	(390,498)
(1,193,308)	(1,179,928)	(748,876)	(670,593)	(176,969)	(172,067)	(1,461,138)	(1,415,138)
176,063	188,873	1,431,453	646,706	57	749	12,636	16,032
<u>1,262,370</u>	<u>745,391</u>	<u>1,086,808</u>	<u>654,067</u>	<u>147,427</u>	<u>51,913</u>	<u>(86,419)</u>	<u>123,734</u>
-	-	-	-	-	-	-	3,644
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
175,341	-	-	1,000,000	-	-	-	-
(115,731)	(31,376)	-	(22,077)	-	-	(74,258)	-
<u>59,610</u>	<u>(31,376)</u>	<u>-</u>	<u>977,923</u>	<u>-</u>	<u>-</u>	<u>(74,258)</u>	<u>3,644</u>
-	-	2,748,561	-	-	-	-	-
4,347	19,883	21,487	24,613	-	-	1,607	-
(638,256)	(622,270)	(180,000)	(175,000)	-	-	-	-
(90,023)	(108,674)	(172,373)	(134,024)	-	-	-	-
(189,783)	(228,674)	(2,266,816)	(1,010,058)	(58,958)	-	(256,854)	(144,055)
-	-	1,000,000	-	-	-	-	-
-	-	-	-	19,367	53,125	189,288	20,087
-	-	-	-	(95,000)	(90,000)	-	-
-	-	-	-	(12,836)	(15,038)	-	-
<u>(913,715)</u>	<u>(939,735)</u>	<u>1,150,859</u>	<u>(1,294,469)</u>	<u>(147,427)</u>	<u>(51,913)</u>	<u>(65,959)</u>	<u>(123,968)</u>
-	179,662	2,358	-	-	-	-	-
408,265	(46,058)	2,240,025	337,521	-	-	(226,636)	3,410
<u>205,857</u>	<u>251,915</u>	<u>3,054,047</u>	<u>2,716,526</u>	<u>-</u>	<u>-</u>	<u>226,636</u>	<u>223,226</u>
<u>\$ 614,122</u>	<u>\$ 205,857</u>	<u>\$ 5,294,072</u>	<u>\$ 3,054,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,636</u>
\$ 614,122	\$ 205,857	\$ 2,586,119	\$ 3,054,047	\$ -	\$ -	\$ -	\$ 226,636
-	-	2,707,953	-	-	-	-	-
<u>\$ 614,122</u>	<u>\$ 205,857</u>	<u>\$ 5,294,072</u>	<u>\$ 3,054,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,636</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Statements of Cash Flows  
Proprietary Funds (Continued)  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	652 Storm Water		Totals		
	2017	2016	2017	2016	2017
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 1,323,489	\$ 1,306,093	\$ 15,721,672	\$ 15,313,348	\$ -
Receipts from interfund services provided	-	-	-	-	10,321,710
Payments to vendors and suppliers	(495,298)	(398,900)	(7,402,779)	(7,170,710)	(2,769,773)
Payments to and on behalf of employees	(172,464)	(162,382)	(5,737,879)	(5,581,949)	(8,682,701)
Other receipts	70	881	1,971,939	1,205,310	90,771
Net Cash Provided (Used) by Operating Activities	655,797	745,692	4,552,953	3,765,999	(1,039,993)
Cash Flows From Noncapital Financing Activities					
Grants received	-	-	-	3,644	-
Loan payments received	-	-	-	-	16,260
Loans made	-	-	-	-	(18,765)
(Increase) decrease in due from other funds	-	-	-	-	109,825
Increase (decrease) in due to other funds	-	-	-	-	(30,097)
Transfers from other funds	-	-	175,341	1,000,000	554,408
Transfers to other funds	(5,731)	-	(317,182)	(116,205)	(72,500)
Net Cash Provided (Used) by Noncapital Financing Activities	(5,731)	-	(141,841)	887,439	559,131
Cash Flows From Capital and Related Financing Activities					
Proceeds from bonds issued, net	-	-	2,748,561	-	-
Proceeds from sale of capital assets	4,350	-	60,707	48,545	-
Principal paid on bonds and leases	-	-	(1,681,256)	(1,637,270)	-
Interest and fiscal charges paid on bonds and leases	-	-	(447,858)	(451,840)	-
Payments for acquisition and construction of capital assets	(292,445)	-	(3,370,522)	(1,389,049)	(326,327)
Advances received from other funds	-	-	1,000,000	-	-
Increase (decrease) in due to other funds	-	-	208,655	73,212	-
Principal paid on advances from other funds	-	-	(95,000)	(90,000)	-
Interest paid on advances from other funds	-	-	(12,836)	(15,038)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(288,095)	-	(1,589,549)	(3,461,440)	(326,327)
Cash Flows From Investing Activities					
Interest receipts (payments)	20,043	(25,449)	84,130	231,166	40,947
Net Increase (Decrease) in Cash And Cash Equivalents	382,014	720,243	2,905,693	1,423,164	(766,242)
Cash and Cash Equivalents, January 1	1,848,842	1,128,599	9,276,134	7,852,970	8,087,604
Cash and Cash Equivalents, December 31	<u>\$ 2,230,856</u>	<u>\$ 1,848,842</u>	<u>\$ 12,181,827</u>	<u>\$ 9,276,134</u>	<u>\$ 7,321,362</u>
Reconciliation of Cash and Cash Equivalents					
Cash and investments	\$ 2,230,856	\$ 1,848,842	\$ 9,473,874	\$ 9,276,134	\$ 7,321,362
Cash held with fiscal agent	-	-	2,707,953	-	-
Total Cash and Cash Equivalents	<u>\$ 2,230,856</u>	<u>\$ 1,848,842</u>	<u>\$ 12,181,827</u>	<u>\$ 9,276,134</u>	<u>\$ 7,321,362</u>

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

City of Red Wing, Minnesota  
Statements of Cash Flows  
Proprietary Funds (Continued)  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/319/488/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 111,835	\$ 152,938	\$ 256,415	\$ 144,085
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	205,263	196,493
Depreciation	193,201	184,187	667,356	678,234
(Increase) decrease in assets				
Accounts receivable	(2,494)	(12,556)	(27,056)	11,179
Inventories	-	-	(297)	(10,763)
Prepaid items	-	-	1,927	(1,927)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	200,318	(380,645)	227,559	(416,721)
Increase (decrease) in liabilities				
Accounts payable	55,538	(22,161)	(39,458)	(7,965)
Contracts payable	-	-	-	-
Due to other governments	606	12,370	39,039	2,382
Salaries payable	3,926	3,882	(1,523)	5,147
Compensated absences payable	16,605	22,788	2,043	10,013
Other postemployment benefits obligation	9,324	13,311	9,808	13,991
Pension liability	(287,083)	433,907	(340,436)	447,445
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	90,330	(13,430)	94,224	(20,982)
Net Cash Provided (Used) by Operating Activities	<u>\$ 392,106</u>	<u>\$ 394,591</u>	<u>\$ 1,094,864</u>	<u>\$ 1,050,611</u>
Schedule of Noncash Financing and Investing Activities				
Book value of disposed/traded capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets acquired on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of bond (premium) discount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Issuance costs on bonds issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bad debt write off	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-type Activities-Enterprise Funds

602/650/317/320/321 322/323/402/490/492 Sewer Utility		603/307/403/406 Solid Waste Campus		605 Marina		610 Ambulance	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 415,034	\$ (247,852)	\$ (801,040)	\$ (341,394)	\$ 139,181	\$ 9,192	\$ (274,931)	\$ (572,302)
129,707	115,698	1,431,140	642,763	-	-	21,745	25,015
798,631	830,796	360,421	365,160	30,344	35,199	82,774	65,197
(67,076)	(64,430)	(28,784)	(37,837)	(28,251)	-	(23,744)	159,223
5,959	(10,001)	-	-	24	553	-	-
3,757	(3,069)	1,927	(1,927)	(650)	(293)	-	-
254,696	(483,551)	132,269	(283,694)	26,353	(53,505)	771,443	(2,497,710)
(38,896)	32,770	52,253	(6,898)	445	(2,663)	(5,320)	3,028
-	-	-	-	-	-	-	-
-	-	928	2,338	-	-	2,036	4,217
(747)	7,428	1,189	2,510	130	532	1,169	7,084
4,289	4,719	672	(4,481)	(2,601)	4,725	13,439	(28,509)
10,793	15,354	4,944	5,809	1,249	1,773	11,357	15,624
(367,292)	562,109	(151,227)	326,109	(33,299)	58,789	(2,647,141)	2,866,086
-	-	-	(5,000)	-	-	-	-
113,515	(14,580)	82,116	(9,391)	14,502	(2,389)	1,960,754	76,781
<u>\$ 1,262,370</u>	<u>\$ 745,391</u>	<u>\$ 1,086,808</u>	<u>\$ 654,067</u>	<u>\$ 147,427</u>	<u>\$ 51,913</u>	<u>\$ (86,419)</u>	<u>\$ 123,734</u>
\$ -	\$ 20,094	\$ -	\$ 1,129	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 13,506	\$ 258,951	\$ 68,980	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ (926)	\$ (926)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ (44,305)	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,858,487	\$ 3,110,699

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Red Wing, Minnesota  
Statements of Cash Flows  
Proprietary Funds (Continued)  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	652 Storm Water		Totals		
	2017	2016	2017	2016	2017
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 526,414	\$ 717,153	\$ 372,908	\$ (138,180)	\$ (1,273,866)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	1,787,855	979,969	-
Depreciation	60,807	59,014	2,193,534	2,217,787	44,648
(Increase) decrease in assets					
Accounts receivable	19,781	(18,322)	(157,624)	37,257	(34,048)
Inventories	-	-	5,686	(20,211)	(199)
Prepaid items	-	-	6,961	(7,216)	24,744
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	29,167	(62,656)	1,641,805	(4,178,482)	-
Increase (decrease) in liabilities					
Accounts payable	5,130	(14,990)	29,692	(18,879)	151,225
Contracts payable	20,029	-	20,029	-	(41,097)
Due to other governments	-	-	42,609	21,307	-
Salaries payable	(355)	838	3,789	27,421	4,170
Compensated absences payable	6,852	(855)	41,299	8,400	84,430
Other postemployment benefits obligation	1,617	2,257	49,092	68,119	-
Pension liability	(32,342)	66,569	(3,858,820)	4,761,014	-
Unearned revenue	-	-	-	(5,000)	-
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	18,697	(3,316)	2,374,138	12,693	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 655,797</u>	<u>\$ 745,692</u>	<u>\$ 4,552,953</u>	<u>\$ 3,765,999</u>	<u>\$ (1,039,993)</u>
Schedule of Noncash Financing and Investing Activities					
Book value of disposed/traded capital assets	\$ -	\$ -	\$ -	\$ 21,223	\$ -
Capital assets acquired on account	\$ 165,959	\$ -	\$ 424,910	\$ 82,486	\$ 11,325
Amortization of bond (premium) discount	\$ -	\$ -	\$ (926)	\$ (926)	\$ -
Issuance costs on bonds issued	\$ -	\$ -	\$ (44,305)	\$ -	\$ -
Bad debt write off	\$ -	\$ -	\$ 2,858,487	\$ 3,110,699	\$ -

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, 2017

	<u>Agency</u>
Assets	
Cash and investments	\$ 1,197,775
Assets held in endowment	3,422,003
Receivables	
Interest	305
Accounts	86,603
Other assets	<u>136,752</u>
Total Assets	<u><u>\$ 4,843,438</u></u>
Liabilities	
Accounts payable	\$ 281,758
Due to other governments	3,841,796
Salaries payable	56,909
Compensated absences payable	36,998
Other liabilities	<u>625,977</u>
Total Liabilities	<u><u>\$ 4,843,438</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, 2017

INDEX

	Page
<b>1. Summary of Significant Accounting Policies</b>	
A. Reporting Entity	85
B. Government-wide and Fund Financial Statements	85
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	86
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balances/ Net Position	
1. Deposits and Investments	88
2. Property Taxes	90
3. Accounts Receivable	90
4. Loans to Other Funds, Loans Receivable and Loans to Other Governments	90
5. Special Assessments	90
6. Interfund Receivables and Payables	91
7. Inventories and Prepaid Items	91
8. Land Held for Resale	91
9. Capital Assets	91
10. Deferred Outflows of Resources	92
11. Compensated Absences	93
12. Postemployment Benefits Other Than Pensions	93
13. Pensions	93
14. Long-term Obligations	94
15. Deferred Inflows of Resources	94
16. Fund Balance	94
17. Net Position	95
18. Comparative Data/Reclassifications	95
<b>2. Stewardship, Compliance and Accountability</b>	
A. Budgetary Information	95
B. Excess of Expenditures Over Appropriations	96
C. Deficit Fund Equity	96
<b>3. Detailed Notes on All Funds</b>	
A. Deposits and Investments	97
B. Assets Held in Endowment	100
C. Loans Receivable	100
D. Capital Assets	101
E. Interfund Receivables, Payables and Transfers	105
F. Long-term Debt	109
G. Components of Fund Balance	114
<b>4. Defined Benefit Pension Plan - Statewide</b>	
A. Plan Description	115
B. Benefits Provided	115
C. Contributions	116
D. Pension Costs	116
E. Actuarial Assumptions	118
F. Discount Rate	120
G. Pension Liability Sensitivity	120
H. Pension Plan Fiduciary Net Position	120
<b>5. Defined Contribution Plan</b>	121
<b>6. Defined Benefit Pension Plan - Fire Relief Association</b>	
A. Plan Description	121
B. Benefits Provided	121
C. Contributions	122
D. Pension Costs	122
E. Actuarial Assumptions	123
F. Discount Rate	124
G. Pension Liability Sensitivity	124
H. Pension Plan Fiduciary Net Position	124

City of Red Wing, Minnesota  
Notes to the Financial Statements (Continued)  
December 31, 2017

INDEX

	<u>Page</u>
<b>7. Postemployment Benefits Other Than Pensions</b>	
A. Plan Description	125
B. Funding Policy	125
C. Annual OPEB Cost and Net OPEB Obligation	125
D. Funded Status and Funding Progress	126
E. Methods and Assumptions	126
<b>8. Other Information</b>	
A. Risk Management	127
B. Contingent Liabilities	128
C. Legal Debt Margin	128
D. Principal Taxpayer	128
E. Tax Increment Districts	129
F. Landfill Closure and Postclosure Care Costs	129
<b>9. Tax Abatements</b>	129

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

## 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 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 5<sup>th</sup> 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, 2017

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

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 statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings 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.



## **Note 1: Summary of Significant Accounting Policies (Continued)**

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 same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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 100 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2017:

- U.S. government agency securities of \$35,994,111 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$5,651,788 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. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. Financial statements of the 4M Fund can be obtained by contacting 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, 2017

**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 2017. 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 \$535,547 as of December 31, 2017.

***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, 2017

**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 statements 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 only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 45, at January 1, 2016. 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.

## **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 statements 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".

### ***Comparative Data/Reclassifications***

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

## **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 \$2,332,488 and a decrease of \$136,178 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, 2017

**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, 2017:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
DEED Loan	\$ -	\$ 2,482	\$ 2,482
Sister Cities	8,000	16,138	8,138

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

**C. Deficit Fund Equity**

The following funds had fund equity deficits at December 31, 2017:

Fund	Amount
Capital Projects	
Public Safety Center	\$ 3,105
Parkland Acquisition	8,525
2018 Street Reconstruction Project	28,533
3rd and Bush Intersection	7,228
Memorial Park Improvements	50,136
Spring Creek/TH 61 Access Project	938,814
Highway 63 River Crossing Bridge	142,165
Old West Main Reconstruction	1,013
621 West 4th Street Project	450
Street and Alley Improvements	3,161
Oakwood Cemetery Renewal Project	75,032
Proprietary Funds	
Marina	392,990
Ambulance	1,246,792

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 liabilities, will be eliminated by future charges.



City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

### **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 \$2,158,073, including \$944,576 reported in agency funds. The bank balance was \$3,506,331. The bank balance was covered by federal depository insurance of \$255,580 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, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**Investments**

As of December 31, 2017 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	\$ 307		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	21,668,816		
Money Market Funds	N/A	less than 6 months	2,707,953		
St. Paul Foundation	N/A	less than 6 months	4,042,522		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 year to 3 years	2,036,133	\$ 2,036,133	\$ -
Government Agency Securities	AAA	more than 3 years	33,957,978	33,957,978	-
Negotiable Certificates of Deposit	N/A	less than 6 months	294,814	-	294,814
Negotiable Certificates of Deposit	N/A	6 months to 1 year	977,683	-	977,683
Negotiable Certificates of Deposit	N/A	1 year to 3 years	3,171,846	-	3,171,846
Negotiable Certificates of Deposit	N/A	more than 3 years	1,207,448	-	1,207,448
Total Investments			\$ 70,065,500	\$ 35,994,111	\$ 5,651,791

(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.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

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 100 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, 2017, 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.

**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	\$ 63,107	\$ 1,150,390	\$ 944,576	\$ 2,158,073
Investments	65,791,298	600,000	3,674,202	70,065,500
Cash on Hand	1,425	-	1,000	2,425
<b>Total</b>	<b>\$ 65,855,830</b>	<b>\$ 1,750,390</b>	<b>\$ 4,619,778</b>	<b>\$ 72,225,998</b>
 Cash and Investments	 \$ 62,527,358	 \$ 1,750,390	 \$ 1,197,775	 \$ 65,475,523
Assets Held in Endowment	620,519	-	3,422,003	4,042,522
Cash Held With Fiscal Agent	2,707,953	-	-	2,707,953
<b>Total</b>	<b>\$ 65,855,830</b>	<b>\$ 1,750,390</b>	<b>\$ 4,619,778</b>	<b>\$ 72,225,998</b>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Assets Held in Endowment**

Assets held in endowment at December 31, 2017 were \$4,042,522. 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, 2017 are \$620,519 and \$3,422,003, 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 \$212,634 and \$1,291,704 are reported as assets in the primary government and component unit, respectively:

Fund	Amount
Primary Government	
Special revenue	
DTED Loan	\$ 194,080
Internal service	
Risk Management	18,554
	<u>18,554</u>
Total Governmental Activities	<u>\$ 212,634</u>
Component Unit	
Industrial Loan	\$ 1,054,562
Intermediary Relending	237,142
	<u>237,142</u>
Total Component Unit	<u>\$ 1,291,704</u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Capital Assets**

**Primary Government**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 6,095,373	\$ 3,002,178	\$ -	\$ 9,097,551
Construction in progress	40,656,848	9,142,251	-	49,799,099
Total Capital Assets Not Being Depreciated	46,752,221	12,144,429	-	58,896,650
Capital Assets Being Depreciated				
Buildings	30,219,617	671,606	-	30,891,223
Improvements other than buildings	15,160,436	446,396	(31,346)	15,575,486
Machinery and equipment	1,774,148	180,897	-	1,955,045
Office equipment	1,165,984	194,213	-	1,360,197
Vehicles	10,664,772	1,014,425	(244,968)	11,434,229
Infrastructure	43,798,330	-	-	43,798,330
Total Capital Assets Being Depreciated	102,783,287	2,507,537	(276,314)	105,014,510
Less Accumulated Depreciation For				
Buildings	(21,206,287)	(478,744)	-	(21,685,031)
Improvements other than buildings	(11,745,253)	(293,220)	2,096	(12,036,377)
Machinery and equipment	(1,185,302)	(92,518)	-	(1,277,820)
Office equipment	(1,028,779)	(42,131)	-	(1,070,910)
Vehicles	(6,489,398)	(983,528)	204,440	(7,268,486)
Infrastructure	(29,149,553)	(1,687,489)	-	(30,837,042)
Total Accumulated Depreciation	(70,804,572)	(3,577,630)	206,536	(74,175,666)
Total Capital Assets Being Depreciated, Net	31,978,715	(1,070,093)	(69,778)	30,838,844
Governmental Activities Capital Assets, Net	<u>\$ 78,730,936</u>	<u>\$ 11,074,336</u>	<u>\$ (69,778)</u>	<u>\$ 89,735,494</u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 214,980	\$ -	\$ -	\$ 214,980
Construction in progress	7,766,489	2,454,146	-	10,220,635
Total Capital Assets Not Being Depreciated	7,981,469	2,454,146	-	10,435,615
Capital Assets Being Depreciated				
Buildings	33,698,962	-	-	33,698,962
Improvements other than buildings	13,279,824	534,868	-	13,814,692
Machinery and equipment	2,669,148	58,179	-	2,727,327
Vehicles	6,412,236	665,753	(266,866)	6,811,123
Infrastructure	28,305,606	-	-	28,305,606
Total Capital Assets Being Depreciated	84,365,776	1,258,800	(266,866)	85,357,710
Less Accumulated Depreciation for				
Buildings	(9,456,326)	(650,888)	-	(10,107,214)
Improvements other than buildings	(7,287,303)	(296,805)	-	(7,584,108)
Machinery and equipment	(2,125,885)	(91,940)	-	(2,217,825)
Vehicles	(3,815,527)	(640,481)	266,866	(4,189,142)
Infrastructure	(11,654,120)	(513,420)	-	(12,167,540)
Total Accumulated Depreciation	(34,339,161)	(2,193,534)	266,866	(36,265,829)
Total Capital Assets Being Depreciated, Net	50,026,615	(934,734)	-	49,091,881
Business-type Activities Capital Assets, Net	<u>\$ 58,008,084</u>	<u>\$ 1,519,412</u>	<u>\$ -</u>	<u>\$ 59,527,496</u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ 127,789
Public safety	317,227
Public works	2,358,522
Culture and recreation	522,483
Economic development	39,748
Miscellaneous	
Airport	108,883
Cemeteries	58,330
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>44,648</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,577,630</u></u>

**Business-type Activities**

Refuse collection and recycling	\$ 193,201
Water utility	667,356
Sewer utility	798,631
Solid waste campus	360,421
Marina	30,344
Ambulance	82,774
Storm water utility	<u>60,807</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 2,193,534</u></u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

***Component Unit***

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Component Unit Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 175,042	\$ -	\$ -	\$ 175,042
Capital Assets Being Depreciated				
Improvements other than buildings	872,479	-	-	872,479
Less Accumulated Depreciation for				
Improvements other than buildings	(494,804)	(8,007)	-	(502,811)
Total Capital Assets				
Being Depreciated, Net	377,675	(8,007)	-	369,668
Governmental Activities				
Capital Assets, Net	<u>\$ 552,717</u>	<u>\$ (8,007)</u>	<u>\$ -</u>	<u>\$ 544,710</u>

Depreciation expense charged to the component unit was as follows:

<b>Component Unit Activities</b>	
Port Authority	<u>\$ 8,007</u>



City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**Construction Commitments**

The City has active construction projects as of December 31, 2017. The projects include building improvements, transportation improvements and wastewater improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Airport Crack Seal Project	\$ 30,106	\$ 735
Airport Building Restoration	176,385	76,587
Sheldon Renewal	118,567	81,944
2016 Street Reconstruction Project	2,527,888	60,468
2017 Street Reconstruction Project	1,427,340	77,129
Safe Route To School Project	849,982	66,285
Levee Road	6,473,118	135,771
	<u>\$ 11,603,386</u>	<u>\$ 498,919</u>
Total		

**E. Interfund Receivables, Payables and Transfers**

The composition of interfund balances at December 31, 2017 is as follows:

**Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General	PERA Perpetual	\$ 144,070
	Highway 61 Reconstruction	918,947
	Nonmajor governmental	727,446
	Marina enterprise	129,504
	Ambulance enterprise	209,375
		<u>2,129,342</u>
Total		<u>\$ 2,129,342</u>
Governmental activities - internal service	Business-type activities - internal service	<u>\$ 2,007,860</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 \$144,070 is for the operating subsidy not yet remitted to the General fund. The remaining balances totaling \$1,775,897 are for temporary advances to cover cash deficits. The amount due from the governmental activities to the business-type activities of \$2,007,860 is due to the elimination of internal service fund profits and losses.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

***Advances To/From Other Funds***

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Amount
Capital Improvement Assessment	Marina	1.80 - 3.30 %	03/24/14	11/01/21	\$ 442,114
General Fund	Solid Waste Campus	0.00	12/31/17	2018	<u>1,000,000</u>
Totals					<u><u>\$ 1,442,114</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:

Year Ending December 31	Principal	Interest	Total
2018	\$ 1,090,000	\$ 10,388	\$ 1,100,388
2019	95,000	7,725	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>\$ 1,442,114</u></u>	<u><u>\$ 26,348</u></u>	<u><u>\$ 1,468,462</u></u>

***Loans to/from Component Unit/Primary Government***

Receivable Entity	Payable Entity	Amount
Primary Government Capital Improvement Assessment	Component unit Port Authority	\$ 359,429
Adjustment to reflect the consolidation of internal service fund activities to Port Authority - component unit		<u>(20,001)</u>
Totals - Statement of Net Position		<u><u>\$ 339,428</u></u>

The above loan was made for the following purpose:

- Capital Improvement Assessment fund to the Port Authority fund for the repairs to the bulkhead and provide operating capital for the Port Authority.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

***Interfund Transfers***

The following transfers were made for the year ended December 31, 2017:

Fund	Transfers In						Total
	General	Capital Improvement Assessment	Spring Creek #61 Intersection Fund	Nonmajor Governmental	Sewer Utility	Internal Service	
Transfers Out							
General	\$ -	\$ -	\$ -	\$ 3,038,182	\$ 175,341	\$ 554,408	\$ 3,767,931
Capital Improvement							
Assessment	-	-	725,000	219,012	-	-	944,012
PERA Perpetual	122,539	-		-	-	-	122,539
Nonmajor							
governmental	74,555	17,952	-	250	-	-	92,757
Refuse Collection and							
Recycling enterprise	5,731	-	-	-	-	-	5,731
Water Utility enterprise	65,731	-	-	50,000	-	-	115,731
Sewer Utility enterprise	65,731	-	-	50,000	-	-	115,731
Ambulance	74,258	-	-	-	-	-	74,258
Storm Water enterprise	5,731	-	-	-	-	-	5,731
Information Services							
internal service	72,500	-	-	-	-	-	72,500
Total	<u>\$ 486,776</u>	<u>\$ 17,952</u>	<u>\$ 725,000</u>	<u>\$ 3,357,444</u>	<u>\$ 175,341</u>	<u>\$ 554,408</u>	<u>\$ 5,316,921</u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 2017:

- From the General fund to the following funds for operating subsidies: Library special revenue fund (\$1,012,669), Airport special revenue fund (\$111,575), and Engineering internal service fund (\$545,245).
- From the PERA Perpetual fund to the General fund for operating subsidy (\$122,539).

In the year ended December 31, 2017, the City made the following one-time transfers:

- From the General fund to the Airport Federal Projects fund for one-time capital improvements (\$49,250).
- From the General fund to the Sheldon Renewal Project fund for one-time capital improvements (\$374,930).
- From the General fund to the River Renaissance Phase II fund for one-time capital improvements (\$641,872).
- From the General fund to the Barn Bluff Improvements fund for one-time capital improvements (\$204,867).
- From the General fund to the Highway 63 River Crossing Bridge fund for one-time capital improvements (\$80,000).
- From the General fund to the Memorial Park fund for one-time capital improvements (\$20,000).
- From the General fund to the Sturgeon Lake Road fund for one-time capital improvements (\$10,000).
- From the Capital Improvement Assessment fund to the Briarwood Drive Extension fund for one-time capital improvements (\$216,012).
- From the General fund to the River Renaissance Phase III fund for one-time capital improvements (\$85,000).
- From the Water Utility fund to the River Renaissance Phase III fund for one-time capital improvements (\$50,000).
- From the Sewer Utility fund to the River Renaissance Phase III fund for one-time capital improvements (\$50,000).
- From the General fund to the River Renaissance Phase IV fund for one-time capital improvements (\$354,000).
- From the Capital Improvement Assessment fund to the Spring Creek/TH 61 Access Project fund for one-time capital improvements (\$725,000).
- From the Water Utility enterprise fund to the General fund for one-time capital improvement (\$65,731).
- From the Sewer Utility enterprise fund to the General fund for one-time capital improvement (\$65,731).
- From the Sewer Utility enterprise fund to the Refuse Collection & Recycling fund for one-time capital improvement (\$5,731).

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ 975,000
G.O. Bonds of 2012A	2,375,000	0.45 - 2.15	07/12/12	02/01/23	1,150,000
G.O. Bonds of 2013A	2,930,000	2.00	04/24/13	02/01/24	2,095,000
G.O. Equipment Certificates of 2014A	1,115,000	1.90 - 2.25	04/23/14	02/01/24	800,000
G.O. Bonds of 2015A	7,735,000	2.00	05/13/15	02/01/26	7,020,000
G.O. Bonds of 2016A	8,525,000	2.00	08/25/16	02/01/27	8,525,000
G.O. Bonds of 2017A	6,740,000	2.00 - 4.00	05/25/17	02/01/27	6,740,000
Total G.O. Bonds					<u>\$ 27,305,000</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
2018	\$ 3,020,000	\$ 619,305	\$ 3,639,305
2019	2,935,000	518,143	3,453,143
2020	3,000,000	453,183	3,453,183
2021	3,065,000	389,070	3,454,070
2022	3,115,000	326,323	3,441,323
2023 - 2027	12,170,000	696,006	12,866,006
Total	<u>\$ 27,305,000</u>	<u>\$3,002,030</u>	<u>\$ 30,307,030</u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 1997	\$ 700,000	3.41 %	12/02/97	02/20/18	\$ 23,576
G.O. Sewer Revenue Note of 1998	2,500,000	3.34	05/22/98	08/20/18	64,583
G.O. Sewer Revenue Note of 2002	2,100,000	3.74	10/11/02	08/20/22	489,000
G.O. Water Revenue Bonds of 2004	15,283,450	2.82	06/24/04	08/20/23	5,716,000
G.O. Sewer Revenue Bonds of 2004	5,283,360	2.34	09/23/04	08/20/24	2,222,000
G.O. Disposal System Revenue Bonds of 2008	4,070,000	3.25 - 4.60	09/15/08	02/01/18	2,855,000
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>\$ 13,955,159</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
2018	\$ 4,218,159	\$ 385,500	\$ 4,603,659
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 - 2027	2,892,000	223,794	3,115,794
2028 - 2029	535,000	11,929	546,929
Total	<u><u>\$ 13,955,159</u></u>	<u><u>\$ 1,432,989</u></u>	<u><u>\$ 15,388,148</u></u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Campus</u>
Revenues	\$ 3,230,339	\$ 4,464,741	\$ 2,187,701
Principal and Interest	1,048,462	728,279	352,373
Percentage of Revenues	32.5%	16.3%	16.1%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 22,165,000	\$ 6,740,000	\$ (1,600,000)	\$ 27,305,000	\$ 3,020,000
Unamortized bond premiums	625,094	494,647	(69,616)	1,050,125	-
Total Bonds Payable	<u>22,790,094</u>	<u>7,234,647</u>	<u>(1,669,616)</u>	<u>28,355,125</u>	<u>3,020,000</u>
Compensated Absences Payable	<u>1,617,493</u>	<u>887,775</u>	<u>(803,345)</u>	<u>1,701,923</u>	<u>800,618</u>
Pension Liability					
GERF	3,013,941	141,830	(531,585)	2,624,186	-
PEPFF	12,793,817	-	(8,443,553)	4,350,264	-
Total Pension Liability	<u>15,807,758</u>	<u>141,830</u>	<u>(8,975,138)</u>	<u>6,974,450</u>	<u>-</u>
OPEB Obligation	<u>618,592</u>	<u>103,819</u>	<u>(56,993)</u>	<u>665,418</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>\$ 40,833,937</u>	<u>\$ 8,368,071</u>	<u>\$ (11,505,092)</u>	<u>\$ 37,696,916</u>	<u>\$ 3,820,618</u>

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds Payable					
General obligation					
revenue bonds	\$ 13,051,415	\$ 2,585,000	\$ (1,681,256)	\$ 13,955,159	\$ 4,218,159
Unamortized bond premiums	11,791	163,561	(926)	174,426	-
Total Bonds Payable	<u>13,063,206</u>	<u>2,748,561</u>	<u>(1,682,182)</u>	<u>14,129,585</u>	<u>4,218,159</u>
Compensated Absences					
Payable	<u>783,867</u>	<u>439,504</u>	<u>(398,205)</u>	<u>825,166</u>	<u>398,204</u>
Pension Liability					
GERF	6,015,377	35,479	(1,247,158)	4,803,698	-
PEPFF	4,021,382	-	(2,647,141)	1,374,241	-
Total Pension Liability	<u>10,036,759</u>	<u>35,479</u>	<u>(3,894,299)</u>	<u>6,177,939</u>	<u>-</u>
OPEB Obligation	<u>556,039</u>	<u>93,321</u>	<u>(44,229)</u>	<u>605,131</u>	<u>-</u>
Business-type Activity					
Long-term Liabilities	<u><u>\$ 24,439,871</u></u>	<u><u>\$ 3,316,865</u></u>	<u><u>\$ (6,018,915)</u></u>	<u><u>\$ 21,737,821</u></u>	<u><u>\$ 4,616,363</u></u>



City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

Component Unit	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences Payable	\$ 24,857	\$ -	\$ (24,857)	\$ -	\$ -
Pension Liability GERF	207,840	-	(70,909)	136,931	-
OPEB Obligation	25,555	2,109	(1,083)	26,581	-
Component Unit					
Long-term Liabilities	<u>\$ 258,252</u>	<u>\$ 2,109</u>	<u>\$ (96,849)</u>	<u>\$ 163,512</u>	<u>\$ -</u>

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, 2017, 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, 2017 was \$17,681,046.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**G. Components of Fund Balance**

At December 31, 2017, 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 #61 Intersection	Other Governmental Funds	Total
<b>Nonspendable</b>							
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,160	\$ 1,160
Loans to other governments	63,817	-	-	-	-	-	63,817
Loans to other funds	1,000,000	-	-	-	-	-	1,000,000
Library endowment	-	-	-	-	-	620,519	620,519
Permanent principal endowments	-	-	-	-	-	1,852,367	1,852,367
	<u>\$ 1,063,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,474,046</u>	<u>\$ 3,537,863</u>
<b>Restricted</b>							
Debt service	\$ -	\$ -	\$ 3,019,697	\$ -	\$ -	\$ -	\$ 3,019,697
DNR grant	12,300	-	-	-	-	-	12,300
Sister cities activities	-	-	-	-	-	196	196
Library activities	-	-	-	-	-	18,905	18,905
Capital projects (unspent bond proceeds)	2,450,449	-	-	-	-	1,634,330	4,084,779
Police and fire activities	41,644	9,005,767	-	-	-	-	9,047,411
Future loans	-	-	-	-	-	245,929	245,929
Tax increment activities	-	-	-	-	-	31,525	31,525
Cemetery perpetual	-	-	-	-	-	758,259	758,259
	<u>\$ 2,504,393</u>	<u>\$ 9,005,767</u>	<u>\$ 3,019,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,689,144</u>	<u>\$ 17,219,001</u>
<b>Committed</b>							
Capital improvements	<u>\$ 3,600,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,240,965</u>	<u>\$ 6,840,965</u>
<b>Assigned</b>							
General improvements	\$ 542,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 542,741
Future operations	-	-	-	-	-	758,125	758,125
Capital improvements	-	-	-	5,013,884	-	-	5,013,884
	<u>\$ 542,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,013,884</u>	<u>\$ -</u>	<u>\$ 758,125</u>	<u>\$ 6,314,750</u>
<b>Unassigned</b>	<u>\$ 18,524,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (938,814)</u>	<u>\$ (319,348)</u>	<u>\$ 17,266,246</u>

## **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 either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

#### 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year 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.

#### **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.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$599,003, \$572,477 and \$573,387, 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 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$698,764, \$669,647 and \$664,038, 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, 2017, the City of Red Wing reported a liability of \$8,018,221 for its proportionate share of the GERF's net pension liability of which the Port Authority's portion was calculated at \$136,931 and the Sheldon Auditorium agency fund's portion was calculated at \$453,406. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$100,845. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1256 percent which was an increase of 0.0057 percent from its proportion measured as of June 30, 2016. The Port Authority's proportionate share was calculated at 0.0021 percent which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2016. The Sheldon Auditorium agency fund's proportionate share was calculated at 0.0071 percent which was an increase of 0.0010 percent from its proportion measured as of June 30, 2016.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

For the year ended December 31, 2017, the City recognized pension expense of \$972,504 for its proportionate share of GERS's pension expense of which the Port Authority's and Sheldon Auditorium's agency fund's portions were calculated at \$16,610 and \$54,995, respectively. In addition, the City recognized an additional \$2,913 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERS.

At December 31, 2017, the City reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 244,992	\$ 469,125	\$ 4,516	\$ 8,648
Changes in Actuarial Assumptions	1,234,483	744,646	22,759	13,727
Net Difference Between Projected and Actual Earnings on Plan Investments	-	336,588	-	6,205
Changes in Proportion	241,473	219,300	4,451	4,043
Contributions to GERS Subsequent to the Measurement Date	281,017	-	5,180	-
Total	<u>\$ 2,001,965</u>	<u>\$ 1,769,659</u>	<u>\$ 36,906</u>	<u>\$ 32,623</u>

Deferred outflows of resources totaling \$286,197 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit
2018	\$ (116,835)	\$ (2,154)
2019	447,451	8,249
2020	(64,021)	(1,180)
2021	(315,306)	(5,812)

**PEPFF Pension Costs**

At December 31, 2017, the City reported a liability of \$5,724,505 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.4240 percent which was a .0050 percent increase from its proportion measured June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$356,360 for its proportionate share of PEPFF's pension expense. The City also recognized \$38,160 for the year ended December 31, 2017 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, 2017

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

At December 31, 2017, 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	\$ 134,333	\$ 1,520,409
Changes in Actuarial Assumptions	7,950,147	8,127,376
Net Difference Between Projected and Actual Earnings on Plan Investments	-	497,088
Changes in Proportion	73,170	17,402
Contributions to PEPFF Subsequent to the Measurement Date	367,333	-
Total	<u>\$ 8,524,983</u>	<u>\$ 10,162,275</u>

Deferred outflows of resources totaling \$367,333 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	\$ (223,911)
2019	336,997
2020	(99,871)
2021	(433,354)
2022	(1,584,486)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 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 disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERP through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP 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, 2017

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

The following changes in actuarial assumptions occurred in 2017:

GERF

- 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.

PEPFF

- 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.

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:

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 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 GERP 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.

**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	\$ 11,521,201	\$ 7,427,884	\$ 4,076,761
Component unit	212,390	136,931	75,154
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	\$ 10,780,912	\$ 5,724,505	\$ 1,550,161

\* 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](http://www.mnpera.org).



City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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. 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 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2017, 2016 and 2015 were \$1,235, \$1,008 and \$834, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2017 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,235	\$ 1,235	5.00%	5.00%	5.00%

**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, 2016, 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, 2017

**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, 2017, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

**D. Pension Costs**

At December 31, 2017, the City reported a net pension liability (asset) of (\$399,977) for the plan. The net pension liability (asset) was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Hildi, Inc. applying an actuarial formula to specific census data certified by the Department as of December 31, 2016. 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, 2016	\$ 882,572	\$ 1,202,928	\$ (320,356)
Changes for the Year			
Service cost	31,215	-	31,215
Interest on pension liability (asset)	54,805	-	54,805
Plan changes	85,400	-	85,400
Projected investment return	-	75,252	(75,252)
Nonemployer contributions	-	112,854	(112,854)
(Gain)/loss	(14,431)	58,084	(72,515)
Benefit payments	(729)	(729)	-
Administrative expenses	-	(9,580)	9,580
Total Net Changes	156,260	235,881	(79,621)
Ending Balance December 31, 2016	\$ 1,038,832	\$ 1,438,809	\$ (399,977)

For the year ended December 31, 2017, the City recognized pension expense of \$22,779.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

At December 31, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 12,987
Net Difference Between Projected and Actual Earnings on Plan Investments	72,185	-
Contributions to Plan Subsequent To the Measurement Date	<u>114,830</u>	<u>-</u>
Total	<u>\$ 187,015</u>	<u>\$ 12,987</u>

Deferred outflows of resources totaling \$114,830 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, 2018. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2018	\$ 29,435
2019	29,433
2020	20,601
2021	(13,060)
2022	(1,444)
Thereafter	(5,767)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2016 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 2016.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ (368,804)	\$ (399,977)	\$ (428,799)

**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, 2017

## 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.

### 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 fiscal year 2017, the City contributed \$102,305 to the plan.

### C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

	Primary Government	Component Unit	Total
Annual Required Contribution	\$ 219,042	\$ 2,343	\$ 221,385
Interest on Net OPEB Obligation	41,562	445	42,007
Adjustment to Annual Required Contribution	(63,464)	(679)	(64,143)
Annual OPEB cost (expense)	197,140	2,109	199,249
Contributions Made	(101,222)	(1,083)	(102,305)
Increase in Net OPEB Obligation	95,918	1,026	96,944
Net OPEB Obligation - Beginning of Year	1,174,631	25,555	1,200,186
Net OPEB Obligation - End of Year	<u>\$ 1,270,549</u>	<u>\$ 26,581</u>	<u>\$ 1,297,130</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 199,249	51.3 %	\$ 1,297,130
12/31/16	315,530	55.9	1,200,186
12/31/15	317,897	50.5	1,060,884

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

### D. Funded Status and Funding Progress.

As of January 1, 2017, the City's actuarial accrued liability for benefits was \$1,911,535, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$11,459,307, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.7 percent.

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return and an annual healthcare cost trend rate of 6.5 percent initially, reduced incrementally to an ultimate rate of 5 percent after 6 years. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability (UAAL) was amortized as a level dollar amount over a closed basis of thirty years.

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 61.6, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 adjusted to 2006 White Collar Mortality Table with MP-2016 Generational Improvement Scale.

*Turnover* - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

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

*Inflation rate* - The expected long-term inflation assumption of 2.5 percent was used based on an intermediate growth scenario.

*Actuarial method* - Projected unit credit with 30-year amortization of the unfunded liability.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.5 percent was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized on a level dollar closed basis. The remaining amortization period at December 31, 2017 was 30 years.

## **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 with coverage at \$980,000 per claim in 2017. 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.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 8: Other Information (Continued)**

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 \$3,650,139 at December 31, 2017 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, 2017 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
2017	\$ -	\$ 2,632,280	\$ 2,632,280	\$ -
2016	-	2,418,654	2,418,654	-
2015	-	2,189,667	2,189,667	-

**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, 2017, the City is under the legal debt margin.

**D. Principal Taxpayer**

Property owned by Xcel Energy located in Red Wing represents approximately 57.5 percent of the City's 2017 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.



## **Note 8: Other Information (Continued)**

### **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, \$454,476 is reported as a restricted asset in the net position of the Solid Waste Campus fund as of December 31, 2017. 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 \$200,094 as the remaining estimated capacity is filled. This is a decrease of \$18,062 under the prior year amount of \$218,156. These amounts are based on what it would cost to perform all closure and post-closure care in 2017. 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 2017 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, 2017, \$454,476 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.

## **Note 9: Tax Abatements**

As of December 31, 2017, 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.

City of Red Wing, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 9: Tax Abatements (Continued)**

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, 2017 was as follows:

	<u>City Tax Rate (Year of Establishment)</u>	<u>District Tax Capacity</u>	<u>Amount of taxes abated the fiscal year</u>
Tax Abatement Agreements			
Central Park Condominiums			\$ 30,795
Capital Safety USA			31,631
Norwood Promotional Products			9,078
Red Wing Shoe Company			24,563
Tax Increment Districts (PAYGO)			
TIF District #7	37.270%	\$ 139,580	<u>52,021</u>
Total			<u><u>\$ 148,088</u></u>

REQUIRED SUPPLEMENTARY  
INFORMATION

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2017

**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-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
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

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

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

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

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, 2017

**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-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Covered Payroll (b/c)
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.*

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

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 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.

City of Red Wing, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

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, 2017

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

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

**Notes to Schedule:**

*Benefit changes.* The benefit level increased from \$4,000 to \$4,400.

*Changes of assumptions.* None in 2017.

*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, 2017

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/17	\$ 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 Employer's Funding Progress for the Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Simplified Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/17	\$ -	\$1,911,535	\$ 1,911,535	- %	\$11,459,307	16.7 %
01/01/14	-	2,791,135	2,791,135	-	10,325,093	27.0
01/01/11	-	2,071,750	2,071,750	-	9,841,666	21.1
01/01/08	-	1,607,953	1,607,953	-	8,984,812	17.9

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,002,264	\$ 5,071,908	\$ 2,599,319	\$ 8,673,491
Assets held in endowment	620,519	-	-	620,519
Receivables				
Accrued interest	-	-	10,267	10,267
Accounts	3,592	43,358	1,040	47,990
Loans	194,080	-	-	194,080
Intergovernmental	49,519	584,578	-	634,097
Prepaid items	1,160	-	-	1,160
<b>Total Assets</b>	<u><u>\$ 1,871,134</u></u>	<u><u>\$ 5,699,844</u></u>	<u><u>\$ 2,610,626</u></u>	<u><u>\$ 10,181,604</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 60,250	\$ 273,651	\$ -	\$ 333,901
Contracts payable	-	142,800	-	142,800
Due to other funds	-	727,446	-	727,446
Due to other governments	116,559	-	-	116,559
Salaries payable	17,966	-	-	17,966
<b>Total Liabilities</b>	<u><u>194,775</u></u>	<u><u>1,143,897</u></u>	<u><u>-</u></u>	<u><u>1,338,672</u></u>
<b>Fund Balances</b>				
Nonspendable	621,679	-	1,852,367	2,474,046
Restricted	296,555	1,634,330	758,259	2,689,144
Committed	-	3,240,965	-	3,240,965
Assigned	758,125	-	-	758,125
Unassigned	-	(319,348)	-	(319,348)
<b>Total Fund Balances</b>	<u><u>1,676,359</u></u>	<u><u>4,555,947</u></u>	<u><u>2,610,626</u></u>	<u><u>8,842,932</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,871,134</u></u>	<u><u>\$ 5,699,844</u></u>	<u><u>\$ 2,610,626</u></u>	<u><u>\$ 10,181,604</u></u>

City of Red Wing, Minnesota  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 130,672	\$ -	\$ -	\$ 130,672
Licenses and permits	316,808	-	-	316,808
Intergovernmental	157,543	3,978,373	-	4,135,916
Charges for services	75,466	-	-	75,466
Fines and forfeits	9,427	-	-	9,427
Investment income	88,819	-	21,933	110,752
Miscellaneous	262,591	152,548	56,830	471,969
Total Revenues	<u>1,041,326</u>	<u>4,130,921</u>	<u>78,763</u>	<u>5,251,010</u>
Expenditures				
Current				
Public safety	157,413	-	-	157,413
Public works	-	44,069	-	44,069
Culture and recreation	1,275,457	-	-	1,275,457
Economic development	165,846	-	-	165,846
Airport	233,749	-	-	233,749
Capital outlay				
Public safety	-	68,125	-	68,125
Public works	-	6,941,609	-	6,941,609
Culture and recreation	61,061	696,721	-	757,782
Airport	15,981	293,674	-	309,655
Cemeteries	-	329,267	-	329,267
Total Expenditures	<u>1,909,507</u>	<u>8,373,465</u>	<u>-</u>	<u>10,282,972</u>
Excess (Deficiency) of Revenues Over (Under)	<u>(868,181)</u>	<u>(4,242,544)</u>	<u>78,763</u>	<u>(5,031,962)</u>
Other Financing Sources (Uses)				
Transfers in	1,136,830	2,220,614	-	3,357,444
Bonds issued	-	5,085,933	-	5,085,933
Premiums on bonds issued	-	373,254	-	373,254
Transfers out	(74,805)	(17,952)	-	(92,757)
Total Other Financing Sources (Uses)	<u>1,062,025</u>	<u>7,661,849</u>	<u>-</u>	<u>8,723,874</u>
Net Change in Fund Balances	193,844	3,419,305	78,763	3,691,912
Fund Balances, January 1	<u>1,482,515</u>	<u>1,136,642</u>	<u>2,531,863</u>	<u>5,151,020</u>
Fund Balances, December 31	<u>\$ 1,676,359</u>	<u>\$ 4,555,947</u>	<u>\$ 2,610,626</u>	<u>\$ 8,842,932</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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2017

	203	209	211	243
	Health Initiatives	Airport	Library	DEED Loan
Assets				
Cash and investments	\$ 5,399	\$ 103,928	\$ 503,925	\$ 168,297
Assets held in endowment	-	-	620,519	-
Receivables				
Accounts	-	2,069	-	-
Loans	-	-	-	194,080
Intergovernmental	6,554	42,965	-	-
Prepaid items	-	1,160	-	-
	<u>-</u>	<u>1,160</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 11,953</u>	<u>\$ 150,122</u>	<u>\$ 1,124,444</u>	<u>\$ 362,377</u>
Liabilities				
Accounts payable	\$ 2,378	\$ 12,165	\$ 41,527	\$ -
Due to other governments	-	111	-	116,448
Salaries payable	-	758	15,055	-
Total Liabilities	<u>2,378</u>	<u>13,034</u>	<u>56,582</u>	<u>116,448</u>
Fund Balances				
Nonspendable	-	1,160	620,519	-
Restricted	-	-	-	245,929
Assigned	9,575	135,928	447,343	-
Total Fund Balances	<u>9,575</u>	<u>137,088</u>	<u>1,067,862</u>	<u>245,929</u>
Total Liabilities and Fund Balances	<u>\$ 11,953</u>	<u>\$ 150,122</u>	<u>\$ 1,124,444</u>	<u>\$ 362,377</u>

<b>245</b>	<b>248</b>	<b>279</b>	<b>291</b>	<b>299</b>	Total
CDBG Revolving	Sister Cities	Tax Increment District # 7.1	Inspection	Library Memorial	Nonmajor Special Revenue
\$ -	\$ 196	\$ 31,525	\$ 170,089	\$ 18,905	\$ 1,002,264
-	-	-	-	-	620,519
-	-	-	1,523	-	3,592
-	-	-	-	-	194,080
-	-	-	-	-	49,519
-	-	-	-	-	1,160
<u>\$ -</u>	<u>\$ 196</u>	<u>\$ 31,525</u>	<u>\$ 171,612</u>	<u>\$ 18,905</u>	<u>\$ 1,871,134</u>
\$ -	\$ -	\$ -	\$ 4,180	\$ -	\$ 60,250
-	-	-	-	-	116,559
-	-	-	2,153	-	17,966
-	-	-	6,333	-	194,775
-	-	-	-	-	621,679
-	196	31,525	-	18,905	296,555
-	-	-	165,279	-	758,125
-	196	31,525	165,279	18,905	1,676,359
<u>\$ -</u>	<u>\$ 196</u>	<u>\$ 31,525</u>	<u>\$ 171,612</u>	<u>\$ 18,905</u>	<u>\$ 1,871,134</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, 2017

	203	209	211	243
	Health Initiatives	Airport	Library	DEED Loan
Revenues				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
State	-	42,965	-	-
County	-	-	114,578	-
Charges for services				
General government	-	-	8,263	-
Public safety	-	-	-	-
Culture and recreation	-	-	3,622	-
Fines and forfeits	-	-	9,427	-
Investment income	-	-	88,819	-
Miscellaneous				
Rents	-	30,000	-	-
Lease payments received	-	50,057	-	-
Contributions and donations	124,909	-	8,417	-
Refunds	28	-	-	-
Other	129	22,165	4,808	4,137
Total Revenues	<u>125,066</u>	<u>145,187</u>	<u>237,934</u>	<u>4,137</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	118,871	-	1,132,923	-
Economic development	-	-	-	2,482
Airport	-	233,749	-	-
Capital outlay				
Culture and recreation	-	-	61,061	-
Airport	-	15,981	-	-
Total Expenditures	<u>118,871</u>	<u>249,730</u>	<u>1,193,984</u>	<u>2,482</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,195</u>	<u>(104,543)</u>	<u>(956,050)</u>	<u>1,655</u>
Other Financing Sources (Uses)				
Transfers in	-	123,911	1,012,919	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>123,911</u>	<u>1,012,919</u>	<u>-</u>
Net Change in Fund Balances	6,195	19,368	56,869	1,655
Fund Balances, January 1	<u>3,380</u>	<u>117,720</u>	<u>1,010,993</u>	<u>244,274</u>
Fund Balances, December 31	<u>\$ 9,575</u>	<u>\$ 137,088</u>	<u>\$ 1,067,862</u>	<u>\$ 245,929</u>

<b>245</b>	<b>248</b>	<b>279</b>	<b>291</b>	<b>299</b>	Total
CDBG Revolving	Sister Cities	Tax Increment District # 7.1	Inspection	Library Memorial	Nonmajor Special Revenue
\$ -	\$ -	\$ 130,672	\$ -	\$ -	\$ 130,672
-	-	-	316,808	-	316,808
-	-	-	-	-	42,965
-	-	-	-	-	114,578
-	-	-	-	-	8,263
-	-	-	63,581	-	63,581
-	-	-	-	-	3,622
-	-	-	-	-	9,427
-	-	-	-	-	88,819
-	-	-	-	-	30,000
-	-	-	-	-	50,057
-	10,385	-	-	3,056	146,767
-	-	-	-	-	28
-	4,500	-	-	-	35,739
-	14,885	130,672	380,389	3,056	1,041,326
-	-	-	157,413	-	157,413
-	16,138	-	-	7,525	1,275,457
38,201	-	125,163	-	-	165,846
-	-	-	-	-	233,749
-	-	-	-	-	61,061
-	-	-	-	-	15,981
38,201	16,138	125,163	157,413	7,525	1,909,507
(38,201)	(1,253)	5,509	222,976	(4,469)	(868,181)
-	-	-	-	-	1,136,830
-	-	-	(74,555)	(250)	(74,805)
-	-	-	(74,555)	(250)	1,062,025
(38,201)	(1,253)	5,509	148,421	(4,719)	193,844
38,201	1,449	26,016	16,858	23,624	1,482,515
\$ -	\$ 196	\$ 31,525	\$ 165,279	\$ 18,905	\$ 1,676,359

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, 2017  
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
State	\$ 69,019	\$ 69,019	\$ 42,965	\$ (26,054)	\$ 60,976
Miscellaneous					
Rents	24,000	24,000	30,000	6,000	30,000
Lease payments received	49,000	49,000	50,057	1,057	48,487
Other	13,100	13,100	22,165	9,065	25,556
Total Revenues	<u>155,119</u>	<u>155,119</u>	<u>145,187</u>	<u>(9,932)</u>	<u>165,019</u>
Expenditures					
Current					
Airport					
Personal services	43,728	43,728	43,370	358	42,323
Supplies	37,660	37,660	26,578	11,082	20,045
Other services and charges	185,182	185,182	163,801	21,381	164,750
Capital outlay					
Airport	38,240	38,240	15,981	22,259	17,450
Total Expenditures	<u>304,810</u>	<u>304,810</u>	<u>249,730</u>	<u>55,080</u>	<u>244,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,691)	(149,691)	(104,543)	45,148	(79,549)
Other Financing Sources (Uses)					
Transfers in	<u>149,691</u>	<u>149,691</u>	<u>123,911</u>	<u>(25,780)</u>	<u>24,336</u>
Net Change in Fund Balances	-	-	19,368	19,368	(55,213)
Fund Balances, January 1	<u>117,720</u>	<u>117,720</u>	<u>117,720</u>	-	<u>172,933</u>
Fund Balances, December 31	<u>\$ 117,720</u>	<u>\$ 117,720</u>	<u>\$ 137,088</u>	<u>\$ 19,368</u>	<u>\$ 117,720</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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
County	\$ 114,462	\$ 114,462	\$ 114,578	\$ 116	\$ 111,095
Charges for services					
General government	6,500	6,500	8,263	1,763	7,453
Culture and recreation	3,500	3,500	3,622	122	3,077
Fines and forfeits	12,000	12,000	9,427	(2,573)	10,300
Investment income	40,815	40,815	88,819	48,004	37,341
Miscellaneous					
Contributions and donations	3,350	3,350	8,417	5,067	61,208
Other	6,000	6,000	4,808	(1,192)	4,381
Total Revenues	<u>186,627</u>	<u>186,627</u>	<u>237,934</u>	<u>51,307</u>	<u>234,855</u>
Expenditures					
Current					
Culture and recreation					
Library					
Personal services	792,265	792,265	767,463	24,802	736,806
Supplies	34,368	34,368	24,149	10,219	28,839
Other services and charges	368,634	368,884	341,311	27,573	350,371
Capital outlay					
Culture and recreation	-	135,928	61,061	74,867	246,657
Debt service					
Bond issuance costs	-	-	-	-	4,083
Total Expenditures	<u>1,195,267</u>	<u>1,331,445</u>	<u>1,193,984</u>	<u>137,461</u>	<u>1,366,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,008,640)</u>	<u>(1,144,818)</u>	<u>(956,050)</u>	<u>188,768</u>	<u>(1,131,901)</u>
Other Financing Sources					
Transfers in	1,012,669	1,012,669	1,012,919	250	984,390
Bonds issued	-	-	-	-	319,340
Premiums on bonds issued	-	-	-	-	12,717
Total Other Financing Sources	<u>1,012,669</u>	<u>1,012,669</u>	<u>1,012,919</u>	<u>250</u>	<u>1,316,447</u>
Net Change in Fund Balances	4,029	(132,149)	56,869	189,018	184,546
Fund Balances, January 1	<u>1,010,993</u>	<u>1,010,993</u>	<u>1,010,993</u>	<u>-</u>	<u>826,447</u>
Fund Balances, December 31	<u>\$ 1,015,022</u>	<u>\$ 878,844</u>	<u>\$ 1,067,862</u>	<u>\$ 189,018</u>	<u>\$ 1,010,993</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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Miscellaneous					
Other	\$ 1,654	\$ 1,654	\$ 4,137	\$ 2,483	\$ 4,602
Expenditures					
Current					
Economic development					
Other services and charges	-	-	2,482	(2,482)	2,761
Net Change in Fund Balances	1,654	1,654	1,655	1	1,841
Fund Balances, January 1	244,274	244,274	244,274	-	242,433
Fund Balances, December 31	<u>\$ 245,928</u>	<u>\$ 245,928</u>	<u>\$ 245,929</u>	<u>\$ 1</u>	<u>\$ 244,274</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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Miscellaneous					
Contributions and donations	\$ 8,000	\$ 8,000	\$ 10,385	\$ 2,385	\$ 1,824
Other	-	-	4,500	4,500	-
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>14,885</u>	<u>6,885</u>	<u>1,824</u>
Expenditures					
Current					
Culture and recreation					
Other services and charges	<u>8,000</u>	<u>8,000</u>	<u>16,138</u>	<u>(8,138)</u>	<u>4,673</u>
Net Change in Fund Balances	-	-	(1,253)	(1,253)	(2,849)
Fund Balances, January 1	<u>1,449</u>	<u>1,449</u>	<u>1,449</u>	-	<u>4,298</u>
Fund Balances, December 31	<u>\$ 1,449</u>	<u>\$ 1,449</u>	<u>\$ 196</u>	<u>\$ (1,253)</u>	<u>\$ 1,449</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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Tax increments	\$ 130,668	\$ 130,668	\$ 130,672	\$ 4	\$ 126,293
Expenditures					
Current					
Economic development					
Other services and charges	126,000	126,000	125,163	837	120,860
Net Change in Fund Balances	4,668	4,668	5,509	841	5,433
Fund Balances, January 1	26,016	26,016	26,016	-	20,583
Fund Balances, December 31	<u>\$ 30,684</u>	<u>\$ 30,684</u>	<u>\$ 31,525</u>	<u>\$ 841</u>	<u>\$ 26,016</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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Licenses and permits	\$ 133,537	\$ 133,537	\$ 316,808	\$ 183,271	\$ 164,904
Charges for services					
Public safety	32,100	32,100	63,581	31,481	42,513
Miscellaneous					
Other	-	-	-	-	2
Total Revenues	<u>165,637</u>	<u>165,637</u>	<u>380,389</u>	<u>214,752</u>	<u>207,419</u>
Expenditures					
Current					
Public safety					
Inspection					
Personal services	198,776	198,776	119,585	79,191	242,535
Supplies	11,600	11,600	2,133	9,467	3,700
Other services and charges	59,107	59,107	35,695	23,412	36,605
Total Expenditures	<u>269,483</u>	<u>269,483</u>	<u>157,413</u>	<u>112,070</u>	<u>282,840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(103,846)</u>	<u>(103,846)</u>	<u>222,976</u>	<u>326,822</u>	<u>(75,421)</u>
Other Financing Sources (Uses)					
Transfers in	178,401	178,401	-	(178,401)	-
Transfers out	<u>(74,555)</u>	<u>(74,555)</u>	<u>(74,555)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>103,846</u>	<u>103,846</u>	<u>(74,555)</u>	<u>(178,401)</u>	<u>-</u>
Net Change in Fund Balances	-	-	148,421	148,421	(75,421)
Fund Balances, January 1	<u>16,858</u>	<u>16,858</u>	<u>16,858</u>	<u>-</u>	<u>92,279</u>
Fund Balances, December 31	<u>\$ 16,858</u>	<u>\$ 16,858</u>	<u>\$ 165,279</u>	<u>\$ 148,421</u>	<u>\$ 16,858</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## 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.

**Public Safety Center** - This fund is used to account for funds received and capital expenditures incurred in the construction of a Public Safety Center.

**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.

**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.

**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 11<sup>th</sup> Street.

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

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## **NONMAJOR CAPITAL PROJECTS FUND (CONTINUED)**

**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.

**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.

**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.

**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 4<sup>th</sup> 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.

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

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



## **NONMAJOR CAPITAL PROJECTS FUND (CONTINUED)**

**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.

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet (Continued on the Following Pages)  
December 31, 2017

	401	409	410	412	415	416	419
	Public Safety Center	Levee Wall Improvements	Airport Federal Projects	Robert Street Extension Project	Sheldon Renewal Project	Bohmbach Drive Reconstruction Project	River Renaissance Phase II
Assets							
Cash and investments	\$ -	\$ 51,985	\$ -	\$ -	\$ 621,064	\$ 49,782	\$ 733,848
Receivables							
Accounts	-	-	-	-	-	-	-
Intergovernmental	-	-	275,206	-	-	-	21,840
Total Assets	<u>\$ -</u>	<u>\$ 51,985</u>	<u>\$ 275,206</u>	<u>\$ -</u>	<u>\$ 621,064</u>	<u>\$ 49,782</u>	<u>\$ 755,688</u>
Liabilities							
Accounts payable	\$ 3,048	\$ -	\$ 17,989	\$ -	\$ 6,113	\$ -	\$ 27,300
Contracts payable	-	-	4,214	-	10,026	-	-
Due to other funds	57	-	212,232	-	-	-	-
Total Liabilities	<u>3,105</u>	<u>-</u>	<u>234,435</u>	<u>-</u>	<u>16,139</u>	<u>-</u>	<u>27,300</u>
Fund Balances							
Restricted	-	-	-	-	-	-	-
Committed	-	51,985	40,771	-	604,925	49,782	728,388
Unassigned	(3,105)	-	-	-	-	-	-
Total Fund Balances	<u>(3,105)</u>	<u>51,985</u>	<u>40,771</u>	<u>-</u>	<u>604,925</u>	<u>49,782</u>	<u>728,388</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 51,985</u>	<u>\$ 275,206</u>	<u>\$ -</u>	<u>\$ 621,064</u>	<u>\$ 49,782</u>	<u>\$ 755,688</u>

420	421	426	435	436	437	451	452
River Renaissance Phase III	Old West Main Project	Parkland Acquisition	2016 Street Reconstruction Project	2017 Street Reconstruction Project	2018 Street Reconstruction Project	Downtown 61/63/58 Improvements	3rd and Bush Intersection
\$ 185,000	\$ 354,300	\$ -	\$ 119,308	\$ 154,375	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 185,000</u>	<u>\$ 354,300</u>	<u>\$ -</u>	<u>\$ 119,308</u>	<u>\$ 154,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,310	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ -	\$ 6,785
-	-	-	55,279	63,503	-	-	-
-	-	8,525	-	-	28,533	-	443
<u>2,310</u>	<u>-</u>	<u>8,525</u>	<u>55,279</u>	<u>63,530</u>	<u>28,533</u>	<u>-</u>	<u>7,228</u>
-	-	-	-	90,845	-	-	-
182,690	354,300	-	64,029	-	-	-	-
-	-	(8,525)	-	-	(28,533)	-	(7,228)
<u>182,690</u>	<u>354,300</u>	<u>(8,525)</u>	<u>64,029</u>	<u>90,845</u>	<u>(28,533)</u>	<u>-</u>	<u>(7,228)</u>
<u>\$ 185,000</u>	<u>\$ 354,300</u>	<u>\$ -</u>	<u>\$ 119,308</u>	<u>\$ 154,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Red Wing, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet (Continued)  
December 31, 2017

	458	459	460	465	467	470	475
	Memorial Park Project	Safe Routes to School Project	Barn Bluff Improvements	River Renaissance Phase I Levee Road to Jackson Street	Sturgeon Lake Road Overpass	Highway 63 River Crossing Bridge	Old West Main Reconstruction
Assets							
Cash and investments	\$ -	\$ 314,444	\$ 384,607	\$ 166,869	\$ -	\$ -	\$ -
Receivables							
Accounts	-	-	-	-	43,358	-	-
Intergovernmental	-	42,506	51,720	-	-	-	-
	<u>-</u>	<u>42,506</u>	<u>51,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 356,950</u>	<u>\$ 436,327</u>	<u>\$ 166,869</u>	<u>\$ 43,358</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities							
Accounts payable	\$ -	\$ 46,010	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	4,497	-	5,281	-	-	-
Due to other funds	50,136	-	-	-	12,393	142,165	1,013
Total Liabilities	<u>50,136</u>	<u>50,507</u>	<u>-</u>	<u>5,281</u>	<u>12,393</u>	<u>142,165</u>	<u>1,013</u>
Fund Balances							
Restricted	-	306,443	436,327	161,588	-	-	-
Committed	-	-	-	-	30,965	-	-
Unassigned	(50,136)	-	-	-	-	(142,165)	(1,013)
Total Fund Balances	<u>(50,136)</u>	<u>306,443</u>	<u>436,327</u>	<u>161,588</u>	<u>30,965</u>	<u>(142,165)</u>	<u>(1,013)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 356,950</u>	<u>\$ 436,327</u>	<u>\$ 166,869</u>	<u>\$ 43,358</u>	<u>\$ -</u>	<u>\$ -</u>

476	477	487	498	499	404	417	422	471	Total Nomajor Capital Projects
Highway 61 Reconstruction	Street Reclamation/ Reconditioning	621 West 4th Street Project	Sidewalk Construction Project	Street and Alley Improvements	CSO-PBF Building	Oakwood Cemetery Renewal Project	Downtown Street Light Replacement	Briarwood Drive Project	
\$ 1,069,314	\$ -	\$ -	\$ 133,184	\$ -	\$ 500,024	\$ -	\$ 213,318	\$ 20,486	5,071,908
-	-	-	-	-	-	-	-	-	43,358
-	-	-	-	-	-	193,306	-	-	584,578
<u>\$ 1,069,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,184</u>	<u>\$ -</u>	<u>\$ 500,024</u>	<u>\$ 193,306</u>	<u>\$ 213,318</u>	<u>\$ 20,486</u>	<u>\$ 5,699,844</u>
\$ 89,854	\$ -	\$ -	\$ -	\$ -	\$ 3,553	\$ -	\$ 70,662	\$ -	\$ 273,651
-	-	-	-	-	-	-	-	-	142,800
-	-	450	-	3,161	-	268,338	-	-	727,446
<u>89,854</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>3,161</u>	<u>3,553</u>	<u>268,338</u>	<u>70,662</u>	<u>-</u>	<u>1,143,897</u>
-	-	-	-	-	496,471	-	142,656	-	1,634,330
979,460	-	-	133,184	-	-	-	-	20,486	3,240,965
-	-	(450)	-	(3,161)	-	(75,032)	-	-	(319,348)
<u>979,460</u>	<u>-</u>	<u>(450)</u>	<u>133,184</u>	<u>(3,161)</u>	<u>496,471</u>	<u>(75,032)</u>	<u>142,656</u>	<u>20,486</u>	<u>4,555,947</u>
<u>\$ 1,069,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,184</u>	<u>\$ -</u>	<u>\$ 500,024</u>	<u>\$ 193,306</u>	<u>\$ 213,318</u>	<u>\$ 20,486</u>	<u>\$ 5,699,844</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, 2017

	<b>401</b> Public Safety Center	<b>409</b> Levee Wall Improvements	<b>410</b> Airport Federal Projects	<b>412</b> Robert Street Extension Project	<b>415</b> Sheldon Renewal Project	<b>416</b> Bohmbach Drive Reconstruction Project
Revenues						
Intergovernmental						
Federal	\$ -	\$ -	\$ 232,796	\$ -	\$ -	\$ -
State	-	-	43,360	-	-	-
Local	-	-	-	-	-	-
Miscellaneous						
Contributions and donations	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Other	-	-	5,709	-	6,941	-
Total Revenues	<u>-</u>	<u>-</u>	<u>281,865</u>	<u>-</u>	<u>6,941</u>	<u>-</u>
Expenditures						
Current						
Public works	-	-	-	-	-	-
Capital outlay						
Public safety	68,125	-	-	-	-	-
Public works	-	186,379	-	-	-	186,555
Culture and recreation	-	-	-	-	230,517	-
Airport	-	-	293,674	-	-	-
Cemeteries	-	-	-	-	-	-
Total Expenditures	<u>68,125</u>	<u>186,379</u>	<u>293,674</u>	<u>-</u>	<u>230,517</u>	<u>186,555</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(68,125)</u>	<u>(186,379)</u>	<u>(11,809)</u>	<u>-</u>	<u>(223,576)</u>	<u>(186,555)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	49,250	-	374,930	-
Bonds issued	-	-	-	-	-	220,179
Premiums on bonds issued	-	-	-	-	-	16,158
Transfers out	-	-	-	(3,638)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>49,250</u>	<u>(3,638)</u>	<u>374,930</u>	<u>236,337</u>
Net Change in Fund Balances	(68,125)	(186,379)	37,441	(3,638)	151,354	49,782
Fund Balances, January 1	<u>65,020</u>	<u>238,364</u>	<u>3,330</u>	<u>3,638</u>	<u>453,571</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (3,105)</u>	<u>\$ 51,985</u>	<u>\$ 40,771</u>	<u>\$ -</u>	<u>\$ 604,925</u>	<u>\$ 49,782</u>



<b>419</b> River Renaissance Phase II	<b>420</b> River Renaissance Phase III	<b>421</b> Old West Main Project	<b>426</b> Parkland Acquisition	<b>435</b> 2016 Street Reconstruction Project	<b>436</b> 2017 Street Reconstruction Project	<b>437</b> 2018 Street Reconstruction Project	<b>451</b> Downtown 61/63/58 Improvements	<b>452</b> 3rd and Bush Intersection
\$ 21,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,050	-	370	-	-	-
21,840	-	-	1,050	-	370	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	183,161	1,864,407	28,533	-	7,228
35,324	2,310	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
35,324	2,310	-	-	183,161	1,864,407	28,533	-	7,228
(13,484)	(2,310)	-	1,050	(183,161)	(1,864,037)	(28,533)	-	(7,228)
641,872	185,000	354,300	-	-	-	-	-	-
-	-	-	-	-	1,846,842	-	-	-
-	-	-	-	-	135,539	-	-	-
-	-	-	-	-	-	-	(2,645)	-
641,872	185,000	354,300	-	-	1,982,381	-	(2,645)	-
628,388	182,690	354,300	1,050	(183,161)	118,344	(28,533)	(2,645)	(7,228)
100,000	-	-	(9,575)	247,190	(27,499)	-	2,645	-
\$ 728,388	\$ 182,690	\$ 354,300	\$ (8,525)	\$ 64,029	\$ 90,845	\$ (28,533)	\$ -	\$ (7,228)

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, 2017

	<b>458</b>	<b>459</b>	<b>460</b>	<b>465</b>	<b>467</b>	<b>470</b>	<b>475</b>
	Memorial Park Project	Safe Routes to School Project	Barn Bluff Improvements	Phase I Levee Road to Jackson Street	Sturgeon Lake Road Overpass	Highway 63 River Crossing Bridge	Old West Main Reconstruction
Revenues							
Intergovernmental							
Federal	\$ -	\$ 726,818	\$ -	\$ -	\$ -	\$ -	\$ -
State	-	-	199,505	1,576,471	-	80,515	-
Local	-	160,000	268,312	-	-	-	-
Miscellaneous							
Contributions and donations	-	-	-	-	-	91,250	-
Refunds	-	-	-	-	-	-	-
Other	-	370	-	-	43,358	-	-
Total Revenues	<u>-</u>	<u>887,188</u>	<u>467,817</u>	<u>1,576,471</u>	<u>43,358</u>	<u>171,765</u>	<u>-</u>
Expenditures							
Current							
Public works	-	-	-	-	-	-	-
Capital outlay							
Public safety	-	-	-	-	-	-	-
Public works	-	1,132,347	-	120,340	45,148	1,336,607	1,013
Culture and recreation	6,233	-	422,337	-	-	-	-
Airport	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-
Total Expenditures	<u>6,233</u>	<u>1,132,347</u>	<u>422,337</u>	<u>120,340</u>	<u>45,148</u>	<u>1,336,607</u>	<u>1,013</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,233)</u>	<u>(245,159)</u>	<u>45,480</u>	<u>1,456,131</u>	<u>(1,790)</u>	<u>(1,164,842)</u>	<u>(1,013)</u>
Other Financing Sources (Uses)							
Transfers in	20,000	-	186,250	-	10,000	80,000	-
Bonds issued	-	689,955	-	-	-	930,064	-
Premiums on bonds issued	-	50,636	-	-	-	68,257	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>740,591</u>	<u>186,250</u>	<u>-</u>	<u>10,000</u>	<u>1,078,321</u>	<u>-</u>
Net Change in Fund Balances	13,767	495,432	231,730	1,456,131	8,210	(86,521)	(1,013)
Fund Balances, January 1	<u>(63,903)</u>	<u>(188,989)</u>	<u>204,597</u>	<u>(1,294,543)</u>	<u>22,755</u>	<u>(55,644)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (50,136)</u>	<u>\$ 306,443</u>	<u>\$ 436,327</u>	<u>\$ 161,588</u>	<u>\$ 30,965</u>	<u>\$ (142,165)</u>	<u>\$ (1,013)</u>

<b>476</b> Highway 61 Reconstruction	<b>477</b> Street Reclamation/ Reconditioning	<b>487</b> 621 West 4th Street Project	<b>498</b> Sidewalk Construction Project	<b>499</b> Street and Alley Improvements	<b>404</b> CSO-PBF Building	<b>417</b> Oakwood Cemetery Renewal Project	<b>422</b> Downtown Street Light Replacement	<b>471</b> Briarwood Drive Project	Nomajor Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981,454
381,000	-	-	-	-	94,450	193,306	-	-	2,568,607
-	-	-	-	-	-	-	-	-	428,312
-	-	-	-	-	-	-	-	-	91,250
-	-	3,500	-	-	-	-	-	-	3,500
-	-	-	-	-	-	-	-	-	57,798
381,000	-	3,500	-	-	94,450	193,306	-	-	4,130,921
14,351	-	-	-	-	29,718	-	-	-	44,069
-	-	-	-	-	-	-	-	-	68,125
309,173	-	3,950	-	3,161	267,567	-	1,257,972	8,068	6,941,609
-	-	-	-	-	-	-	-	-	696,721
-	-	-	-	-	-	-	-	-	293,674
-	-	-	-	-	-	329,267	-	-	329,267
323,524	-	3,950	-	3,161	297,285	329,267	1,257,972	8,068	8,373,465
57,476	-	(450)	-	(3,161)	(202,835)	(135,961)	(1,257,972)	(8,068)	(4,242,544)
-	-	-	100,000	-	-	-	-	219,012	2,220,614
-	-	-	-	-	-	-	1,398,893	-	5,085,933
-	-	-	-	-	-	-	102,664	-	373,254
-	(11,669)	-	-	-	-	-	-	-	(17,952)
-	(11,669)	-	100,000	-	-	-	1,501,557	219,012	7,661,849
57,476	(11,669)	(450)	100,000	(3,161)	(202,835)	(135,961)	243,585	210,944	3,419,305
921,984	11,669	-	33,184	-	699,306	60,929	(100,929)	(190,458)	1,136,642
\$ 979,460	\$ -	\$ (450)	\$ 133,184	\$ (3,161)	\$ 496,471	\$ (75,032)	\$ 142,656	\$ 20,486	\$ 4,555,947

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Nonmajor Permanent Funds  
Combining Balance Sheet  
December 31, 2017  
(With Comparative Totals for December 31, 2016)

	<b>851</b> Oakwood Care	<b>852</b> Oakwood Flower	<b>853</b> Burnside Care	<b>854</b> Burnside Flower	Totals	
					2017	2016
Assets						
Cash and investments	\$ 1,304,402	\$ 828,486	\$ 331,685	\$ 134,746	\$ 2,599,319	\$ 2,525,430
Receivables						
Accrued interest	5,282	2,198	2,418	369	10,267	6,433
Accounts	1,040	-	-	-	1,040	-
Total Assets	<u>\$ 1,310,724</u>	<u>\$ 830,684</u>	<u>\$ 334,103</u>	<u>\$ 135,115</u>	<u>\$ 2,610,626</u>	<u>\$ 2,531,863</u>
Fund Balances						
Nonspendable	\$ 970,499	\$ 535,953	\$ 250,170	\$ 95,745	\$ 1,852,367	\$ 1,795,537
Restricted	340,225	294,731	83,933	39,370	758,259	736,326
Total Fund Balances	<u>\$ 1,310,724</u>	<u>\$ 830,684</u>	<u>\$ 334,103</u>	<u>\$ 135,115</u>	<u>\$ 2,610,626</u>	<u>\$ 2,531,863</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, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

	<b>851</b> Oakwood Care	<b>852</b> Oakwood Flower	<b>853</b> Burnside Care	<b>854</b> Burnside Flower	Totals	
					2017	2016
Revenues						
Investment income (loss)	\$ 13,589	\$ 4,635	\$ 3,779	\$ (70)	\$ 21,933	\$ 34,399
Miscellaneous						
Burial plot sales	34,080	-	8,870	-	42,950	59,585
Perpetual contract sales	-	10,740	-	3,140	13,880	17,465
Total Revenues	<u>47,669</u>	<u>15,375</u>	<u>12,649</u>	<u>3,070</u>	<u>78,763</u>	<u>111,449</u>
Fund Balances, January 1	<u>1,263,055</u>	<u>815,309</u>	<u>321,454</u>	<u>132,045</u>	<u>2,531,863</u>	<u>2,420,414</u>
Fund Balances, December 31	<u>\$ 1,310,724</u>	<u>\$ 830,684</u>	<u>\$ 334,103</u>	<u>\$ 135,115</u>	<u>\$ 2,610,626</u>	<u>\$ 2,531,863</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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
General Fund  
Comparative Balance Sheets  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and investments	\$ 23,540,373	\$ 19,941,253
Receivables		
Accrued interest	68,765	57,309
Delinquent taxes	132,440	130,697
Accounts (net of allowance)	193,625	128,130
Intergovernmental	91,145	226,049
Loans to other governments	63,817	108,868
Due from other funds	2,129,342	3,231,771
Loans to other funds	1,000,000	-
Prepaid items	-	33,254
	<u>                    </u>	<u>                    </u>
Total Assets	<u><u>\$ 27,219,507</u></u>	<u><u>\$ 23,857,331</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 613,282	\$ 646,846
Escrow accounts payable	33,395	29,995
Contracts payable	-	5,620
Due to other funds	-	59,641
Due to other governments	1,860	1,673
Salaries payable	115,394	101,480
Deposits payable	39,744	39,783
Unearned revenue	48,033	33,358
Total Liabilities	<u>851,708</u>	<u>918,396</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue		
Taxes	<u>132,440</u>	<u>130,697</u>
<b>Fund Balances</b>		
Nonspendable	1,063,817	142,122
Restricted	2,504,393	1,467,860
Committed	3,600,000	3,600,000
Assigned	542,741	-
Unassigned	<u>18,524,408</u>	<u>17,598,256</u>
Total Fund Balances	<u>26,235,359</u>	<u>22,808,238</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 27,219,507</u></u>	<u><u>\$ 23,857,331</u></u>

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual
	Original	Final			Amounts
Revenues					
Taxes					
Property taxes	\$ 18,750,915	\$ 18,750,915	\$ 18,568,311	\$ (182,604)	\$ 17,653,713
Franchise taxes	224,000	224,000	252,374	28,374	250,847
Other taxes	30,500	30,500	33,363	2,863	32,902
Total taxes	19,005,415	19,005,415	18,854,048	(151,367)	17,937,462
Licenses and permits					
Business	53,880	53,880	60,102	6,222	60,984
Nonbusiness	3,300	3,300	13,484	10,184	9,037
Total licenses and permits	57,180	57,180	73,586	16,406	70,021
Intergovernmental					
Federal					
Other Federal aid	60,699	95,050	37,711	(57,339)	4,744
State					
Local government aid	1,124,856	1,124,856	1,124,856	-	1,289,906
Property tax credits	-	-	5,057	5,057	5,217
Police aid	217,880	217,880	252,067	34,187	244,963
Other State aids	606,656	721,656	453,845	(267,811)	504,203
Total State	1,949,392	2,064,392	1,835,825	(228,567)	2,044,289
County					
Other County aids	66,685	66,685	57,187	(9,498)	68,975
Local					
Other local aid	-	-	2,869	2,869	-
Total intergovernmental	2,076,776	2,226,127	1,933,592	(292,535)	2,118,008
Charges for services					
General government	30,750	30,750	35,333	4,583	36,210
Public safety	202,351	203,456	245,828	42,372	145,798
Public works	64,389	64,389	117,981	53,592	104,919
Culture and recreation	114,000	114,000	114,320	320	139,142
Cemeteries	103,200	103,200	127,937	24,737	121,005
Total charges for services	514,690	515,795	641,399	125,604	547,074
Fines and forfeits	76,100	76,100	72,630	(3,470)	79,299
Investment income (loss)	150,000	150,000	449,540	299,540	(137,384)
Miscellaneous					
Interest on notes and loans	9,723	9,723	-	(9,723)	-
Rents	138,820	138,820	164,694	25,874	160,266
Contributions and donations	63,000	88,875	77,541	(11,334)	47,866
Refunds	-	-	32,067	32,067	15,198
Other	53,369	122,364	210,790	88,426	40,421
Total miscellaneous	264,912	359,782	485,092	125,310	263,751
Total Revenues	22,145,073	22,390,399	22,509,887	119,488	20,878,231

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
City council					
Personal services	\$ 64,484	\$ 64,484	\$ 60,315	\$ 4,169	\$ 54,936
Supplies	1,775	1,775	5,301	(3,526)	3,922
Other services and charges	55,029	55,029	34,643	20,386	29,956
Total city council	121,288	121,288	100,259	21,029	88,814
Mayor					
Personal services	9,212	9,212	8,620	592	8,176
Supplies	350	350	4	346	-
Other services and charges	5,654	5,654	8,914	(3,260)	3,793
Total mayor	15,216	15,216	17,538	(2,322)	11,969
Council administration					
Other services and charges	141,642	141,642	122,711	18,931	164,147
Administrative customer services					
Other services and charges	53,627	53,627	47,022	6,605	-
Boards and commissions					
Supplies	400	400	1,464	(1,064)	396
Other services and charges	29,350	40,516	39,613	903	26,950
Total boards and commissions	29,750	40,916	41,077	(161)	27,346
City clerk					
Personal services	124,759	124,759	101,545	23,214	92,167
Other services and charges	47,315	47,315	47,315	-	45,984
Total city clerk	172,074	172,074	148,860	23,214	138,151
Elections					
Personal services	-	-	-	-	20,238
Supplies	-	-	129	(129)	4,081
Other services and charges	5,500	5,500	3,208	2,292	13,717
Total elections	5,500	5,500	3,337	2,163	38,036
Finance					
Personal services	231,664	231,664	187,122	44,542	158,379
Other services and charges	79,636	79,636	79,636	-	68,043
Total finance	311,300	311,300	266,758	44,542	226,422
Audit					
Other services and charges	40,450	40,450	43,093	(2,643)	37,499
Attorney					
Other services and charges	236,200	236,200	219,161	17,039	254,657
Communications					
Personal services	39,191	39,191	31,900	7,291	34,907
Other services and charges	58,782	58,782	58,782	-	60,636
Total communications	97,973	97,973	90,682	7,291	95,543

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

Expenditures (Continued)	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current (continued)					
General government (continued)					
Community engagement					
Personal services	\$ 92,568	\$ 92,568	\$ 34,175	\$ 58,393	\$ -
Supplies	3,900	3,900	210	3,690	-
Other services and charges	10,050	10,050	8,961	1,089	-
Total community engagement	106,518	106,518	43,346	63,172	-
Employee services					
Personal services	144,965	144,965	117,992	26,973	166,217
Other services and charges	167,761	167,761	167,761	-	169,272
Total employee services	312,726	312,726	285,753	26,973	335,489
Planning					
Personal services	-	-	-	-	195,104
Supplies	-	-	-	-	5,220
Other services and charges	-	-	-	-	38,726
Total planning	-	-	-	-	239,050
Government buildings					
Personal services	13,553	13,553	10,227	3,326	10,275
Supplies	21,583	46,583	64,254	(17,671)	14,157
Other services and charges	152,444	152,444	153,761	(1,317)	132,921
Total general government buildings	187,580	212,580	228,242	(15,662)	157,353
Total general government	1,831,844	1,868,010	1,657,839	210,171	1,814,476
Public safety					
Police					
Personal services	3,609,930	3,613,833	3,466,426	147,407	3,429,820
Supplies	157,850	226,845	165,566	61,279	150,976
Other services and charges	495,679	495,729	486,555	9,174	505,334
Total police	4,263,459	4,336,407	4,118,547	217,860	4,086,130
Fire					
Personal services	1,484,550	1,488,374	1,560,468	(72,094)	1,434,062
Supplies	93,350	93,350	76,320	17,030	122,729
Other services and charges	358,201	359,256	342,364	16,892	352,562
Total fire	1,936,101	1,940,980	1,979,152	(38,172)	1,909,353
Fire station building - Plum Street					
Personal services	914	914	885	29	24
Supplies	2,800	2,800	227	2,573	1,810
Other services and charges	46,250	46,250	39,319	6,931	38,711
Total fire station building - Plum Street	49,964	49,964	40,431	9,533	40,545
Civil defense					
Supplies	4,900	5,258	11,432	(6,174)	11,898
Other services and charges	20,845	47,052	22,917	24,135	8,290
Total civil defense	25,745	52,310	34,349	17,961	20,188
Total public safety	6,275,269	6,379,661	6,172,479	207,182	6,056,216
Public works					
Administration					
Personal services	227,965	227,965	182,052	45,913	186,885
Supplies	46,600	46,600	39,407	7,193	33,093
Other services and charges	276,227	276,227	409,597	(133,370)	414,596
Total administration	550,792	550,792	631,056	(80,264)	634,574

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street maintenance					
Personal services	\$ 28,634	\$ 28,634	\$ 30,595	\$ (1,961)	\$ 25,380
Supplies	471,895	471,895	335,277	136,618	394,840
Other services and charges	727,994	828,361	795,815	32,546	688,136
Total street maintenance	1,228,523	1,328,890	1,161,687	167,203	1,108,356
Snow and ice removal					
Supplies	220,200	220,200	181,891	38,309	127,490
Other services and charges	293,459	293,459	276,924	16,535	199,446
Total snow and ice removal	513,659	513,659	458,815	54,844	326,936
Street lighting					
Personal services	4,571	4,571	5,072	(501)	5,069
Supplies	86,340	86,340	67,496	18,844	99,027
Other services and charges	273,249	273,249	229,075	44,174	241,219
Total street lighting	364,160	364,160	301,643	62,517	345,315
Parking ramps					
Personal services	9,132	9,132	9,177	(45)	6,901
Supplies	11,500	11,500	5,730	5,770	6,067
Other services and charges	116,896	116,896	71,127	45,769	83,470
Total parking ramps	137,528	137,528	86,034	51,494	96,438
Total public works	2,794,662	2,895,029	2,639,235	255,794	2,511,619
Sanitation					
Composting					
Personal services	49,441	49,441	57,122	(7,681)	47,690
Supplies	7,255	7,255	7,569	(314)	27
Other services and charges	9,746	9,746	19,558	(9,812)	1,622
Total sanitation	66,442	66,442	84,249	(17,807)	49,339
Culture and recreation					
Parks and boulevards					
Personal services	189,805	189,805	166,275	23,530	178,307
Supplies	316,710	332,934	400,177	(67,243)	179,786
Other services and charges	753,843	753,843	977,275	(223,432)	866,888
Total parks and boulevards	1,260,358	1,276,582	1,543,727	(267,145)	1,224,981
Recreational activities and facilities					
Personal services	18,400	18,400	23,478	(5,078)	24,463
Supplies	90,355	90,355	65,867	24,488	63,129
Other services and charges	722,314	767,906	698,410	69,496	727,899
Total recreational activities and facilities	831,069	876,661	787,755	88,906	815,491
Total culture and recreation	2,091,427	2,153,243	2,331,482	(178,239)	2,040,472

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Economic development					
Community development					
Personal services	\$ 629,345	\$ 629,345	\$ 523,443	\$ 105,902	\$ -
Supplies	26,600	26,600	4,583	22,017	-
Other services and charges	165,673	165,673	79,221	86,452	1,506
Total community development	821,618	821,618	607,247	214,371	1,506
Planning					
Personal services	4,465	4,465	3,532	933	144
Supplies	9,030	9,030	3,540	5,490	5,420
Other services and charges	322,186	327,186	317,903	9,283	291,754
Total planning	335,681	340,681	324,975	15,706	297,318
Total economic development	1,157,299	1,162,299	932,222	230,077	298,824
Cemeteries					
Personal services	134,978	134,978	123,035	11,943	175,995
Supplies	80,900	80,900	65,598	15,302	72,929
Other services and charges	130,735	130,735	98,297	32,438	155,489
Total Cemeteries	346,613	346,613	286,930	59,683	404,413
Transit					
Other services and charges	-	-	-	-	27,720
Contingencies and other					
Other services and charges	613,097	619,497	153,065	466,432	180,769
Total current	15,176,653	15,490,794	14,257,501	1,233,293	13,383,848
Capital outlay					
General government	4,700	388,738	38,944	349,794	152,965
Public safety	172,575	880,438	915,272	(34,834)	138,245
Public works	800,400	1,034,312	495,144	539,168	1,574,036
Culture and recreation	876,990	1,683,324	587,699	1,095,625	756,964
Economic development	538,800	425,000	162,074	262,926	-
Cemeteries	74,000	74,000	56,858	17,142	21,659
Total capital outlay	2,467,465	4,485,812	2,255,991	2,229,821	2,643,869
Debt service					
Bond issuance costs	-	-	-	-	16,074
Total Expenditures	17,644,118	19,976,606	16,513,492	3,463,114	16,043,791
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,500,955	2,413,793	5,996,395	3,582,602	4,834,440
Other Financing Sources (Uses)					
Sale of capital assets	-	-	33,429	33,429	124,753
Transfers in	399,979	446,736	486,776	40,040	358,049
Bonds issued	2,373,500	2,373,500	632,063	(1,741,437)	1,257,110
Premiums on bonds issued	-	-	46,389	46,389	50,062
Transfers out	(7,274,434)	(6,678,734)	(3,767,931)	2,910,803	(3,532,093)
Total Other Financing Sources (Uses)	(4,500,955)	(3,858,498)	(2,569,274)	1,289,224	(1,742,119)
Net Change in Fund Balances	-	(1,444,705)	3,427,121	4,871,826	3,092,321
Fund Balances, January 1	22,808,238	22,808,238	22,808,238	-	19,715,917
Fund Balances, December 31	\$ 22,808,238	\$ 21,363,533	\$ 26,235,359	\$ 4,871,826	\$ 22,808,238



## 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2017  
(With Comparative Totals for December 31, 2016)

	<b>301</b> \$1,835,000 G.O. Bonds 2011A	<b>302</b> \$2,375,000 G.O. Bonds 2012A	<b>304</b> \$2,930,000 G.O. Bonds 2013A	<b>305</b> \$1,115,000 G.O. Equipment Certificates 2014A
Assets				
Cash and investments	\$ 220,151	\$ 415,557	\$ 371,011	\$ 139,985
Receivables				
Delinquent taxes	2,738	2,738	2,738	2,738
Intergovernmental	900	1,447	1,437	538
Total Assets	<u>\$ 223,789</u>	<u>\$ 419,742</u>	<u>\$ 375,186</u>	<u>\$ 143,261</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	2,738	2,738	2,738	2,738
Fund Balances				
Restricted for debt service	<u>221,051</u>	<u>417,004</u>	<u>372,448</u>	<u>140,523</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 223,789</u>	<u>\$ 419,742</u>	<u>\$ 375,186</u>	<u>\$ 143,261</u>

<b>306</b> \$7,735,000 G.O. Improvement Bonds 2015A	<b>308</b> \$7,735,000 G.O. Improvement Bonds 2016A	<b>309</b> \$6,740,000 G.O. Improvement Bonds 2017A	Totals	
			2017	2016
\$ 888,535	\$ 968,462	\$ 3,828	\$ 3,007,529	\$ 1,991,227
2,738	2,738	-	16,428	11,036
3,712	4,134	-	12,168	8,863
<u>\$ 894,985</u>	<u>\$ 975,334</u>	<u>\$ 3,828</u>	<u>\$ 3,036,125</u>	<u>\$ 2,011,126</u>
\$ -	\$ -	\$ -	\$ -	\$ 630
2,738	2,738	-	16,428	11,036
<u>892,247</u>	<u>972,596</u>	<u>3,828</u>	<u>3,019,697</u>	<u>1,999,460</u>
<u>\$ 894,985</u>	<u>\$ 975,334</u>	<u>\$ 3,828</u>	<u>\$ 3,036,125</u>	<u>\$ 2,011,126</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, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

	<b>301</b> \$1,835,000 G.O. Bonds 2011A	<b>302</b> \$2,375,000 G.O. Bonds 2012A	<b>304</b> \$2,930,000 G.O. Bonds 2013A	<b>305</b> \$1,115,000 G.O. Equipment Certificates 2014A
Revenues				
Taxes				
Property taxes	\$ 221,372	\$ 396,068	\$ 353,227	\$ 132,363
Rents	394	632	628	235
Total Revenues	<u>221,766</u>	<u>396,700</u>	<u>353,855</u>	<u>132,598</u>
Expenditures				
Debt service				
Principal retirement	175,000	320,000	285,000	105,000
Interest and fiscal charges	22,364	20,920	44,748	17,295
Bond issuance costs	3,550	3,550	425	450
Total Expenditures	<u>200,914</u>	<u>344,470</u>	<u>330,173</u>	<u>122,745</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,852</u>	<u>52,230</u>	<u>23,682</u>	<u>9,853</u>
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Premiums on bonds issued	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	20,852	52,230	23,682	9,853
Fund Balances, January 1	<u>200,199</u>	<u>364,774</u>	<u>348,766</u>	<u>130,670</u>
Fund Balances, December 31	<u>\$ 221,051</u>	<u>\$ 417,004</u>	<u>\$ 372,448</u>	<u>\$ 140,523</u>

<b>306</b> \$7,735,000 G.O. Improvement Bonds 2015A	<b>308</b> \$8,525,000 G.O. Improvement Bonds 2016A	<b>309</b> \$6,740,000 G.O. Improvement Bonds 2017A	Totals	
			2017	2016
\$ 912,582	\$ 1,016,363	\$ -	\$ 3,031,975	\$ 2,086,132
1,622	1,807	-	5,318	3,846
914,204	1,018,170	-	3,037,293	2,089,978
715,000	-	-	1,600,000	870,000
147,549	159,583	800	413,259	307,126
450	-	94,059	102,484	5,353
862,999	159,583	94,859	2,115,743	1,182,479
51,205	858,587	(94,859)	921,550	907,499
-	-	91,940	91,940	111,747
-	-	6,747	6,747	-
-	-	-	-	4,450
-	-	98,687	98,687	116,197
51,205	858,587	3,828	1,020,237	1,023,696
841,042	114,009	-	1,999,460	975,764
\$ 892,247	\$ 972,596	\$ 3,828	\$ 3,019,697	\$ 1,999,460

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



## 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Internal Service Funds  
Combining Statement of Net Position  
December 31, 2017  
(With Comparative Totals for December 31, 2016)

	<b>701</b> Administrative Services	<b>702</b> Central Services	<b>705/708</b> Risk Management
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 302,548	\$ 1,016,526	\$ 4,195,429
Receivables			
Accrued interest	-	101	10,901
Accounts	4,800	4,330	30,622
Loans	-	-	18,554
Due from other funds	-	-	-
Inventories	-	56,144	12,976
Prepaid items	-	-	567
<b>Total Current Assets</b>	<b>307,348</b>	<b>1,077,101</b>	<b>4,269,049</b>
<b>Capital Assets</b>			
Buildings	-	7,825	-
Machinery and equipment	-	36,221	-
Office equipment	-	-	-
Vehicles	-	292,084	-
Less accumulated depreciation	-	(311,142)	-
<b>Net Capital Assets</b>	<b>-</b>	<b>24,988</b>	<b>-</b>
<b>Total Assets</b>	<b>307,348</b>	<b>1,102,089</b>	<b>4,269,049</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	8,722	59,354	617,493
Contracts payable	-	-	-
Due to other funds	-	-	-
Salaries payable	26,646	43,660	829
Compensated absences payable - current portion	119,005	161,126	475
<b>Total Current Liabilities</b>	<b>154,373</b>	<b>264,140</b>	<b>618,797</b>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	152,975	167,554	113
<b>Total Liabilities</b>	<b>307,348</b>	<b>431,694</b>	<b>618,910</b>
<b>Net Position</b>			
Investment in capital assets	-	24,988	-
Unrestricted	-	645,407	3,650,139
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ 670,395</b>	<b>\$ 3,650,139</b>

710 Information Services	715 Postemployment Benefits	728 Engineering	Totals	
			2017	2016
\$ 197,238	\$ 923,828	\$ 685,793	\$ 7,321,362	\$ 8,087,604
-	-	2,528	13,530	8,419
7,135	-	-	46,887	12,839
-	-	-	18,554	16,049
-	-	-	-	109,825
-	-	-	69,120	68,921
-	-	-	567	25,311
<u>204,373</u>	<u>923,828</u>	<u>688,321</u>	<u>7,470,020</u>	<u>8,328,968</u>
-	-	-	7,825	7,825
-	-	-	36,221	36,221
298,725	-	179,547	478,272	213,225
-	-	108,035	400,119	360,100
(42,708)	-	(203,368)	(557,218)	(533,831)
<u>256,017</u>	<u>-</u>	<u>84,214</u>	<u>365,219</u>	<u>83,540</u>
<u>460,390</u>	<u>923,828</u>	<u>772,535</u>	<u>7,835,239</u>	<u>8,412,508</u>
15,009	-	11,088	711,666	560,441
-	-	-	-	41,097
-	-	-	-	30,097
8,052	-	12,810	91,997	87,827
33,738	437,326	48,948	800,618	766,950
<u>56,799</u>	<u>437,326</u>	<u>72,846</u>	<u>1,604,281</u>	<u>1,486,412</u>
<u>20,066</u>	<u>486,502</u>	<u>74,095</u>	<u>901,305</u>	<u>850,543</u>
<u>76,865</u>	<u>923,828</u>	<u>146,941</u>	<u>2,505,586</u>	<u>2,336,955</u>
256,017	-	84,214	365,219	83,540
<u>127,508</u>	<u>-</u>	<u>541,380</u>	<u>4,964,434</u>	<u>5,992,013</u>
<u>\$ 383,525</u>	<u>\$ -</u>	<u>\$ 625,594</u>	<u>\$ 5,329,653</u>	<u>\$ 6,075,553</u>

City of Red Wing, Minnesota  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

	<b>701</b> Administrative Services	<b>702</b> Central Services	<b>705/708</b> Risk Management
Operating Revenues			
Charges for services	\$ 1,671,857	\$ 3,647,155	\$ 3,606,529
Miscellaneous	-	28,384	60,071
Total Operating Revenues	<u>1,671,857</u>	<u>3,675,539</u>	<u>3,666,600</u>
Operating Expenses			
Personal services	1,079,628	1,560,920	18,278
Employee benefits	328,298	622,997	3,950,815
Supplies	27,214	337,206	-
Cost of merchandise sold	-	688,938	-
Professional services	161,851	193,565	27,350
Rent and leased equipment	1,185	10	-
Repairs and maintenance	12,371	31,079	-
Administration and fiscal charges	51,183	9,556	-
Insurance premiums	3,821	4,109	313,212
Insurance claims	-	-	7,312
Depreciation	-	13,336	-
Miscellaneous	6,306	-	256,355
Total Operating Expenses	<u>1,671,857</u>	<u>3,461,716</u>	<u>4,573,322</u>
Operating Income (Loss)	<u>-</u>	<u>213,823</u>	<u>(906,722)</u>
Nonoperating Revenues (Expenses)			
Investment income (loss)	-	503	45,119
Gain (loss) on sale of capital assets	-	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>503</u>	<u>45,119</u>
Income (Loss) Before Transfers	-	214,326	(861,603)
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	214,326	(861,603)
Net Position, January 1	<u>-</u>	<u>456,069</u>	<u>4,511,742</u>
Net Position, December 31	<u><u>\$ -</u></u>	<u><u>\$ 670,395</u></u>	<u><u>\$ 3,650,139</u></u>

<b>710</b>	<b>715</b>	<b>728</b>	<b>Totals</b>	
Information Services	Postemployment Benefits	Engineering	2017	2016
\$ 600,387	\$ -	\$ 783,060	\$ 10,308,988	\$ 9,966,331
1,815	-	501	90,771	284,601
602,202	-	783,561	10,399,759	10,250,932
303,605	-	524,836	3,487,267	3,380,356
97,197	-	177,051	5,176,358	4,851,967
115,100	-	27,809	507,329	469,338
-	-	-	688,938	593,743
53,771	-	470,971	907,508	1,182,923
21,804	-	4	23,003	24,695
57,917	-	10,794	112,161	106,787
20,711	-	48,100	129,550	103,368
1,219	-	3,166	325,527	335,112
-	-	-	7,312	26,516
-	-	31,312	44,648	38,789
1,363	-	-	264,024	260,508
672,687	-	1,294,043	11,673,625	11,374,102
(70,485)	-	(510,482)	(1,273,866)	(1,123,170)
-	-	436	46,058	(27,502)
-	-	-	-	1,313
-	-	436	46,058	(26,189)
(70,485)	-	(510,046)	(1,227,808)	(1,149,359)
-	-	554,408	554,408	400,000
(72,500)	-	-	(72,500)	-
(142,985)	-	44,362	(745,900)	(749,359)
526,510	-	581,232	6,075,553	6,824,912
<u>\$ 383,525</u>	<u>\$ -</u>	<u>\$ 625,594</u>	<u>\$ 5,329,653</u>	<u>\$ 6,075,553</u>

City of Red Wing, Minnesota  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

	<b>701</b> Administrative Services	<b>702</b> Central Services	<b>705/708</b> Risk Management	<b>710</b> Information Services
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 1,667,057	\$ 3,653,664	\$ 3,575,907	\$ 593,252
Payments to vendors and suppliers	(281,719)	(1,301,993)	(284,572)	(279,616)
Payments to and on behalf of employees	(1,399,319)	(2,161,937)	(4,027,363)	(399,661)
Other receipts	-	28,384	60,071	1,815
Net Cash Provided (Used) by Operating Activities	<u>(13,981)</u>	<u>218,118</u>	<u>(675,957)</u>	<u>(84,210)</u>
Cash Flows From Noncapital Financing Activities				
Loan payments received	-	-	16,260	-
Loans made	-	-	(18,765)	-
(Increase) decrease in due from other funds	-	-	109,825	-
Increase (decrease) in due to other funds	-	(9,780)	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	(72,500)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(9,780)</u>	<u>107,320</u>	<u>(72,500)</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from sale of capital assets	-	-	-	-
Payments for acquisition and construction of capital assets	-	(22,886)	-	(256,017)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(22,886)</u>	<u>-</u>	<u>(256,017)</u>
Cash Flows From Investing Activities				
Interest receipts (payments)	<u>-</u>	<u>530</u>	<u>42,509</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,981)	185,982	(526,128)	(412,727)
Cash and Cash Equivalents, January 1	<u>316,529</u>	<u>830,544</u>	<u>4,721,557</u>	<u>609,965</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 302,548</u></u>	<u><u>\$ 1,016,526</u></u>	<u><u>\$ 4,195,429</u></u>	<u><u>\$ 197,238</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ -	\$ 213,823	\$ (906,722)	\$ (70,485)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	13,336	-	-
(Increase) decrease in assets				
Accounts receivable	(4,800)	6,509	(30,622)	(7,135)
Inventories	-	526	(725)	-
Prepaid items	-	-	(142)	24,886
Increase (decrease) in liabilities				
Accounts payable	(17,788)	(38,056)	260,837	(33,836)
Contracts payable	-	-	-	-
Salaries payable	987	3,508	829	169
Compensated absences payable	<u>7,620</u>	<u>18,472</u>	<u>588</u>	<u>2,191</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (13,981)</u></u>	<u><u>\$ 218,118</u></u>	<u><u>\$ (675,957)</u></u>	<u><u>\$ (84,210)</u></u>
Schedule of Noncash Financing and Investing Activities				
Capital assets acquired on account	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



715 Postemployment Benefits	728 Engineering	Totals	
		2017	2016
\$ 46,770	\$ 785,060	\$ 10,321,710	\$ 9,996,258
-	(621,873)	(2,769,773)	(2,673,104)
-	(694,421)	(8,682,701)	(8,224,452)
-	501	90,771	284,601
46,770	(530,733)	(1,039,993)	(616,697)
-	-	16,260	16,647
-	-	(18,765)	(7,615)
-	-	109,825	(109,825)
-	(20,317)	(30,097)	30,097
-	554,408	554,408	400,000
-	-	(72,500)	-
-	534,091	559,131	329,304
-	-	-	1,313
-	(47,424)	(326,327)	(39,455)
-	(47,424)	(326,327)	(38,142)
-	(2,092)	40,947	(32,827)
46,770	(46,158)	(766,242)	(358,362)
877,058	731,951	8,087,604	8,445,966
<u>\$ 923,828</u>	<u>\$ 685,793</u>	<u>\$ 7,321,362</u>	<u>\$ 8,087,604</u>
\$ -	\$ (510,482)	\$ (1,273,866)	\$ (1,123,170)
-	31,312	44,648	38,789
-	2,000	(34,048)	(3,140)
-	-	(199)	(7)
-	-	24,744	(24,886)
-	(19,932)	151,225	457,374
-	(41,097)	(41,097)	-
-	(1,323)	4,170	17,435
46,770	8,789	84,430	20,908
<u>\$ 46,770</u>	<u>\$ (530,733)</u>	<u>\$ (1,039,993)</u>	<u>\$ (616,697)</u>
<u>\$ -</u>	<u>\$ 11,325</u>	<u>\$ 11,325</u>	<u>\$ -</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>Explorer Development Program (802)</u></b>				
Assets				
Cash and investments	\$ -	\$ 419	\$ -	\$ 419
Liabilities				
Accounts payable	\$ -	\$ 419	\$ -	\$ 419
<b><u>Flex Account (804)</u></b>				
Assets				
Cash and investments	\$ 52,333	\$ 235,588	\$ 241,134	\$ 46,787
Accounts receivable	2,694	-	-	2,694
Total Assets	<u>\$ 55,027</u>	<u>\$ 235,588</u>	<u>\$ 241,134</u>	<u>\$ 49,481</u>
Liabilities				
Due to other governments	\$ 40,000	\$ -	\$ 40,000	\$ -
Salaries payable	15,027	235,588	201,134	49,481
Total Liabilities	<u>\$ 55,027</u>	<u>\$ 235,588</u>	<u>\$ 241,134</u>	<u>\$ 49,481</u>
<b><u>Lodging Tax (806)</u></b>				
Assets				
Cash and investments	\$ 141	\$ 249,569	\$ 249,311	\$ 399
Unbilled accounts receivable	11,597	15,505	11,597	15,505
Total Assets	<u>\$ 11,738</u>	<u>\$ 265,074</u>	<u>\$ 260,908</u>	<u>\$ 15,904</u>
Liabilities				
Accounts payable	\$ 11,738	\$ 265,074	\$ 260,908	\$ 15,904
<b><u>Cannon Valley Bike Trail (808)</u></b>				
Assets				
Cash and investments	\$ 422,349	\$ 838,294	\$ 576,807	\$ 683,836
Petty cash and change funds	400	-	-	400
Accrued interest receivable	359	-	54	305
Intergovernmental	8,909	-	8,909	-
Total Assets	<u>\$ 432,017</u>	<u>\$ 838,294</u>	<u>\$ 585,770</u>	<u>\$ 684,541</u>
Liabilities				
Accounts payable	\$ 52,260	\$ 244,706	\$ 257,007	\$ 39,959
Due to other governments	379,757	593,588	328,763	644,582
Total Liabilities	<u>\$ 432,017</u>	<u>\$ 838,294</u>	<u>\$ 585,770</u>	<u>\$ 684,541</u>

City of Red Wing, Minnesota  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds (Continued)  
For the Year Ended December 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>Sheldon Auditorium (810)</u></b>				
Assets				
Cash and investments	\$ 203,112	\$ 1,333,642	\$ 1,231,415	\$ 305,339
Assets held in endowment	3,096,150	446,351	120,498	3,422,003
Petty cash and change funds	500	100	-	600
Accounts receivable	47,563	54,038	59,338	42,263
Other assets	209,011	140,252	212,511	136,752
	<u>\$ 3,556,336</u>	<u>\$ 1,974,383</u>	<u>\$ 1,623,762</u>	<u>\$ 3,906,957</u>
Total Assets				
	<u>\$ 3,556,336</u>	<u>\$ 1,974,383</u>	<u>\$ 1,623,762</u>	<u>\$ 3,906,957</u>
Liabilities				
Accounts payable	\$ 33,815	\$ 784,881	\$ 779,356	\$ 39,340
Due to other governments	2,885,034	91,416	(220,764)	3,197,214
Salaries payable	6,720	7,428	6,720	7,428
Compensated absences payable	27,019	9,979	-	36,998
Other liabilities	603,748	1,080,679	1,058,450	625,977
	<u>\$ 3,556,336</u>	<u>\$ 1,974,383</u>	<u>\$ 1,623,762</u>	<u>\$ 3,906,957</u>
Total Liabilities				
	<u>\$ 3,556,336</u>	<u>\$ 1,974,383</u>	<u>\$ 1,623,762</u>	<u>\$ 3,906,957</u>
<b><u>Yuletide Villagefest (820)</u></b>				
Assets				
Cash and investments	\$ (4,591)	\$ 1,287	\$ 2,451	\$ (5,755)
Liabilities				
Accounts payable	\$ (4,591)	\$ 1,287	\$ 2,451	\$ (5,755)
<b><u>Red Wing 2020 (825)</u></b>				
Assets				
Cash and investments	\$ 1,061	\$ -	\$ -	\$ 1,061
Liabilities				
Accounts payable	\$ 1,061	\$ -	\$ -	\$ 1,061
<b><u>Coalition of Utility Cities (840)</u></b>				
Assets				
Cash and investments	\$ 191,218	\$ 94,351	\$ 122,009	\$ 163,560
Accounts receivable	25,492	95,000	94,351	26,141
	<u>\$ 216,710</u>	<u>\$ 189,351</u>	<u>\$ 216,360</u>	<u>\$ 189,701</u>
Total Assets				
	<u>\$ 216,710</u>	<u>\$ 189,351</u>	<u>\$ 216,360</u>	<u>\$ 189,701</u>
Liabilities				
Accounts payable	\$ 216,710	\$ 189,351	\$ 216,360	\$ 189,701
	<u>\$ 216,710</u>	<u>\$ 189,351</u>	<u>\$ 216,360</u>	<u>\$ 189,701</u>

City of Red Wing, Minnesota  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds (Continued)  
For the Year Ended December 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>Local Government Utility (845)</u></b>				
Assets				
Cash and investments	\$ 1,129	\$ -	\$ -	\$ 1,129
Liabilities				
Accounts payable	\$ 1,129	\$ -	\$ -	\$ 1,129
<b><u>Total All Agency Funds</u></b>				
Assets				
Cash and investments	\$ 866,752	\$ 2,753,150	\$ 2,423,127	\$ 1,196,775
Assets held in endowment	3,096,150	446,351	120,498	3,422,003
Petty cash and change funds	900	100	-	1,000
Accrued interest receivable	359	-	54	305
Accounts receivable	75,749	149,038	153,689	71,098
Intergovernmental receivable	8,909	-	8,909	-
Unbilled accounts receivable	11,597	15,505	11,597	15,505
Other assets	209,011	140,252	212,511	136,752
Total Assets	\$ 4,269,427	\$ 3,504,396	\$ 2,930,385	\$ 4,843,438
Liabilities				
Accounts payable	\$ 312,122	\$ 1,485,718	\$ 1,516,082	\$ 281,758
Due to other governments	3,304,791	685,004	147,999	3,841,796
Salaries payable	21,747	243,016	207,854	56,909
Compensated absences payable	27,019	9,979	-	36,998
Other liabilities	603,748	1,080,679	1,058,450	625,977
Total Liabilities	\$ 4,269,427	\$ 3,504,396	\$ 2,930,385	\$ 4,843,438

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



DISCRETELY PRESENTED COMPONENT UNIT  
PORT AUTHORITY

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Red Wing, Minnesota  
Discretely Presented Component Unit - Port Authority  
Combining Balance Sheet  
December 31, 2017  
(With Comparative Totals for December 31, 2016)

	Special Revenue				Totals	
	<b>236</b>	<b>231</b>	<b>232</b>	<b>233</b>		
	Port Authority General	Industrial Loan	Micro Loan	Intermediary Relending	2017	2016
<b>Assets</b>						
Cash and cash equivalents	\$ 798,691	\$ 320,552	\$ 71,395	\$ 559,752	\$ 1,750,390	\$ 1,648,811
Receivables						
Delinquent taxes	2,770	-	-	-	2,770	2,769
Accounts	46,165	-	-	3,657	49,822	20,742
Loans	-	1,054,562	-	237,142	1,291,704	1,196,415
Intergovernmental	1,631	-	-	-	1,631	1,681
<b>Total Assets</b>	<b>\$ 849,257</b>	<b>\$ 1,375,114</b>	<b>\$ 71,395</b>	<b>\$ 800,551</b>	<b>\$ 3,096,317</b>	<b>\$ 2,870,418</b>
<b>Liabilities</b>						
Accounts payable	\$ 11,044	\$ -	\$ -	\$ -	\$ 11,044	\$ 2,423
Due to other governments	-	-	-	338,035	338,035	366,972
Loans from primary government	359,429	-	-	-	359,429	414,725
Salaries payable	2,189	-	-	-	2,189	2,511
<b>Total Liabilities</b>	<b>372,662</b>	<b>-</b>	<b>-</b>	<b>338,035</b>	<b>710,697</b>	<b>786,631</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue						
Taxes	2,770	-	-	-	2,770	2,769
<b>Fund Balances</b>						
Restricted	-	-	-	462,516	462,516	464,870
Committed	-	1,375,114	71,395	-	1,446,509	1,452,752
Unassigned	473,825	-	-	-	473,825	163,396
<b>Total Fund Balances</b>	<b>473,825</b>	<b>1,375,114</b>	<b>71,395</b>	<b>462,516</b>	<b>2,382,850</b>	<b>2,081,018</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 849,257</b>	<b>\$ 1,375,114</b>	<b>\$ 71,395</b>	<b>\$ 800,551</b>	<b>\$ 3,096,317</b>	<b>\$ 2,870,418</b>
Amounts reported for governmental activities in the statement of net position are different because						
Fund Balances - Governmental Funds from Above					\$ 2,382,850	\$ 2,081,018
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.					544,710	552,717
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						
Compensated absences payable					-	(24,857)
Other postemployment benefits obligation					(26,581)	(25,555)
Pension liability					(136,931)	(207,840)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.						
Delinquent property taxes receivable					2,770	2,769
Governmental funds do not report long-term amounts related to pensions.						
Deferred outflows of pension resources					36,906	74,806
Deferred inflows of pension resources					(32,623)	(25,260)
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.					20,001	29,088
<b>Total Net Position - Governmental Activities</b>					<b>\$ 2,791,102</b>	<b>\$ 2,456,886</b>

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, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

	Special Revenue				Totals	
	236 Port Authority General	231 Industrial Loan	232 Micro Loan	233 Intermediary Relending	2017	2016
Revenues						
Taxes						
Property taxes	\$ 385,706	\$ -	\$ -	\$ -	\$ 385,706	\$ 364,357
Other taxes	691	-	-	-	691	683
Intergovernmental						
State	94	-	-	-	94	102
Charges for services						
General government	-	-	-	-	-	259
Investment income	-	-	-	2,468	2,468	2,000
Miscellaneous						
Lease payments received	187,362	-	-	-	187,362	85,979
Interest on notes and loans	-	15,334	-	7,562	22,896	30,274
Refunds	2,624	-	-	-	2,624	8,007
Other	2,685	-	-	30	2,715	15,574
Total Revenues	<u>579,162</u>	<u>15,334</u>	<u>-</u>	<u>10,060</u>	<u>604,556</u>	<u>507,235</u>
Expenditures						
Current						
Economic development						
Personal services	141,316	-	-	-	141,316	142,516
Supplies	2,301	-	-	-	2,301	1,258
Other services and charges	84,947	-	-	8,744	93,691	93,682
Miscellaneous	40,169	-	21,577	-	61,746	-
Debt service						
Interest and fiscal charges	-	-	-	3,670	3,670	4,029
Total Expenditures	<u>268,733</u>	<u>-</u>	<u>21,577</u>	<u>12,414</u>	<u>302,724</u>	<u>241,485</u>
Net Change in Fund Balances	310,429	15,334	(21,577)	(2,354)	301,832	265,750
Fund Balances, January 1	<u>163,396</u>	<u>1,359,780</u>	<u>92,972</u>	<u>464,870</u>	<u>2,081,018</u>	<u>1,815,268</u>
Fund Balances, December 31	<u>\$ 473,825</u>	<u>\$ 1,375,114</u>	<u>\$ 71,395</u>	<u>\$ 462,516</u>	<u>\$ 2,382,850</u>	<u>\$ 2,081,018</u>
Amounts reported for governmental activities in the statement of activities are different because						
Net Change in Fund Balances - Governmental Funds from Above					\$ 301,832	\$ 265,750
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)	(8,007)
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					-	(90,000)
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					1	(2,025)
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.						
Compensated absences					24,857	2,560
Other postemployment benefits cost					(1,026)	(1,544)
Long-term pension activity is not reported in governmental funds.						
Pension expense					25,596	140,420
Direct aid contributions					50	810
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.					(9,087)	(6,238)
Change in Net Position - Governmental Activities					<u>\$ 334,216</u>	<u>\$ 301,726</u>

City of Red Wing, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Years Ended December 31, 2017 and 2016

	Totals		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 22,016,695	\$ 20,149,887	9.26 %
Special assessments	867,140	491,636	76.38
Licenses and permits	390,394	234,925	66.18
Intergovernmental	6,069,508	5,519,205	9.97
Charges for services	721,865	605,117	19.29
Fines and forfeits	82,057	89,599	(8.42)
Investment earnings	772,503	2,507	30,713.84
Miscellaneous	1,005,119	614,693	63.52
Total Revenues	<u>\$ 31,925,281</u>	<u>\$ 27,707,569</u>	15.22 %
Per Capita	\$ 1,930	\$ 1,676	15.15 %
Expenditures			
Current			
General government	\$ 1,657,839	\$ 1,814,476	(8.63) %
Public safety	6,329,892	6,339,056	(0.14)
Public works	2,833,260	2,609,653	8.57
Sanitation	84,249	49,339	70.76
Culture and recreation	3,606,939	3,259,092	10.67
Economic development	1,098,068	486,445	125.73
Airport	233,749	227,118	2.92
Transit	-	27,720	(100.00)
Cemeteries	286,930	404,413	(29.05)
Unallocated	153,065	180,769	(15.33)
Capital outlay			
General government	38,944	152,965	(74.54)
Public safety	983,397	520,396	88.97
Public works	11,029,337	16,393,634	(32.72)
Culture and recreation	1,345,481	1,285,914	4.63
Economic development	162,074	-	N/A
Airport	309,655	59,686	418.81
Cemeteries	386,125	298,730	29.26
Debt service			
Principal	1,600,000	870,000	83.91
Interest and fiscal charges	515,743	312,479	65.05
Bond issuance costs	-	107,617	(100.00)
Total Expenditures	<u>\$ 32,654,747</u>	<u>\$ 35,399,502</u>	(7.75) %
Per Capita	\$ 1,974	\$ 2,141	100.00 % (7.82) %
Total Long-term Indebtedness	\$ 27,305,000	\$ 22,165,000	23.19 %
Per Capita	1,650	1,341	23.11
General Fund Balance - December 31	\$ 26,235,359	\$ 22,808,238	15.03 %
Per Capita	1,586	1,379	14.95

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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

# 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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

	Fiscal Year			
	2017	2016	2015	2014
Governmental Activities				
Net investment in capital assets	\$ 65,465,148	\$ 58,051,200	\$ 49,648,560	\$ 46,262,064
Restricted	15,331,092	14,254,984	13,309,298	12,812,857
Unrestricted	30,800,095	28,121,151	32,917,382	31,756,579
Total Governmental Activities Net Position	<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	\$ 48,252,911	\$ 44,944,878	\$ 44,265,403	\$ 41,964,192
Restricted	454,476	436,414	418,352	400,290
Unrestricted	797,066	2,894,021	2,404,032	7,743,886
Total Business-type Activities Net Position	<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	\$ 113,718,059	\$ 102,996,078	\$ 93,913,963	\$ 88,226,256
Restricted	15,785,568	14,691,398	13,727,650	13,213,147
Unrestricted	31,597,161	31,015,172	35,321,414	39,500,465
Total Primary Government Net Position	<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	2008
\$ 41,825,328	\$ 38,453,702	\$ 35,820,191	\$ 35,233,880	\$ 33,868,669	\$ 35,498,581
11,964,453	13,650,753	15,311,936	13,566,492	14,322,109	13,635,221
30,881,953	31,159,022	30,782,252	31,603,457	29,360,417	27,773,140
<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>	<u>\$ 76,906,942</u>
\$ 40,517,978	\$ 35,251,711	\$ 32,865,281	\$ 31,280,810	\$ 30,344,747	\$ 24,924,003
382,228	364,166	346,104	328,042	309,980	291,918
10,649,128	15,314,254	14,168,386	15,808,643	16,725,336	18,705,283
<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>	<u>\$ 43,921,204</u>
\$ 82,343,306	\$ 73,705,413	\$ 68,685,472	\$ 66,514,690	\$ 64,213,416	\$ 60,422,584
12,346,681	14,014,919	15,658,040	13,894,534	14,632,089	13,927,139
41,531,081	46,473,276	44,950,638	47,412,100	46,085,753	46,478,423
<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>	<u>\$ 120,828,146</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				
	2017	2016	2015	2014	2013
<b>Expenses</b>					
Governmental Activities					
General government	\$ 1,978,680	\$ 2,186,067	\$ 2,014,182	\$ 1,928,550	\$ 1,950,660
Public safety	7,458,841	8,359,216	6,037,426	6,033,337	5,556,816
Public works	5,616,530	5,502,852	4,967,050	5,291,324	5,560,184
Storm water	-	-	-	-	-
Sanitation	96,063	66,457	38,978	48,969	94,652
Culture and recreation	4,223,786	4,091,398	3,308,523	3,791,583	4,000,733
Economic development	1,116,449	526,193	861,913	562,704	553,909
Airport	354,440	375,284	375,939	358,401	872,190
Cemeteries	368,286	494,246	371,341	368,248	326,916
Transit	236	27,885	48,200	22,904	45,120
Interest and fiscal charges	567,690	411,189	324,976	153,007	108,675
Total Governmental Activities Expenses	<u>21,781,001</u>	<u>22,040,787</u>	<u>18,348,528</u>	<u>18,559,027</u>	<u>19,069,855</u>
Business-Type Activities					
Ambulance	5,044,556	5,496,506	3,912,731	3,921,127	3,946,409
Refuse collection and recycling	2,450,536	2,377,624	2,452,011	2,050,561	2,086,819
Water	3,250,721	3,291,289	3,176,793	3,127,351	2,901,369
Sewer	4,246,080	4,720,564	4,341,896	4,216,823	3,972,286
Storm water	801,777	639,856	719,183	622,651	660,862
Solid waste campus	3,242,387	2,575,882	2,647,529	2,272,893	2,678,199
Marina	550,923	564,350	620,148	711,761	617,166
Total Business-type Activities Expenses	<u>19,586,980</u>	<u>19,666,071</u>	<u>17,870,291</u>	<u>16,923,167</u>	<u>16,863,110</u>
Total Primary Government Expenses	<u>\$ 41,367,981</u>	<u>\$ 41,706,858</u>	<u>\$ 36,218,819</u>	<u>\$ 35,482,194</u>	<u>\$ 35,932,965</u>
<b>Program Revenue</b>					
Governmental Activities					
Charges for services					
General government	\$ 242,075	\$ 220,509	\$ 213,967	\$ 222,553	\$ 262,776
Public safety	717,634	446,891	445,281	487,672	372,731
Public works	205,902	106,649	116,943	222,671	81,070
Storm water	-	-	-	-	-
Culture and recreation	204,738	201,576	205,901	171,026	948,035
Economic development	20,474	19,641	18,891	31,460	22,497
Airport	102,222	104,043	117,471	107,625	88,226
Cemeteries	183,357	196,675	186,409	159,976	191,814
Transit	-	-	-	-	16,496
Operating grants and contributions	1,130,771	1,157,393	1,676,665	1,306,110	2,714,394
Capital grants and contributions	5,726,499	3,509,448	8,248,980	2,493,704	2,280,238
Total Governmental Activities Program Revenues	<u>8,533,672</u>	<u>5,962,825</u>	<u>11,230,508</u>	<u>5,202,797</u>	<u>6,978,277</u>
Business-type Activities					
Charges for services					
Ambulance	4,676,409	4,880,846	3,779,689	3,778,997	4,036,230
Refuse collection and recycling	2,494,292	2,474,252	2,401,294	2,245,610	2,297,080
Water	3,435,180	3,349,471	3,313,412	3,305,736	3,271,779
Sewer	4,593,955	4,397,573	3,819,287	3,808,506	3,606,266
Storm water	1,303,006	1,325,296	1,274,544	1,110,841	880,982
Solid waste campus	3,618,528	2,713,880	2,695,806	2,435,248	2,652,499
Marina	665,935	550,365	554,370	565,965	553,234
Operating grants and contributions	19,346	36,059	28,093	54,787	4,710
Capital grants and contributions	-	-	68,977	-	-
Total Business-type Activities Program Revenues	<u>20,806,651</u>	<u>19,727,742</u>	<u>17,935,472</u>	<u>17,305,690</u>	<u>17,302,780</u>
Total Primary Government Program Revenues	<u>\$ 29,340,323</u>	<u>\$ 25,690,567</u>	<u>\$ 29,165,980</u>	<u>\$ 22,508,487</u>	<u>\$ 24,281,057</u>
<b>Net (Expense) Revenue</b>					
Governmental Activities	\$ (13,247,329)	\$ (16,077,962)	\$ (7,118,020)	\$ (13,356,230)	\$ (12,091,578)
Business-type Activities	1,219,671	61,671	65,181	382,523	439,670
Total Primary Government Net Expense	<u>\$ 12,027,658</u>	<u>\$ 16,016,291</u>	<u>\$ 7,052,839</u>	<u>\$ 12,973,707</u>	<u>\$ 11,651,908</u>

Table 2

Fiscal Year				
2012	2011	2010	2009	2008
\$ 1,904,155	\$ 2,120,072	\$ 2,802,055	\$ 3,312,304	\$ 3,413,474
5,405,760	5,364,753	5,437,702	5,741,518	5,815,304
5,269,097	5,358,673	4,976,666	4,648,198	5,108,540
-	-	294,734	335,811	395,647
36,645	48,509	41,256	35,771	36,262
3,235,924	3,422,720	3,183,989	3,069,546	3,498,954
1,238,660	429,599	406,373	607,341	149,406
645,686	663,642	654,954	1,136,300	1,136,163
291,059	273,316	247,108	277,854	424,331
10,269	13,869	-	22,603	42,298
141,251	168,349	182,266	252,562	349,139
<u>18,178,506</u>	<u>17,863,502</u>	<u>18,227,103</u>	<u>19,439,808</u>	<u>20,369,518</u>
3,508,100	3,600,515	3,362,868	3,387,037	2,937,169
1,934,248	1,810,551	1,776,307	1,771,792	1,747,022
3,013,293	2,913,991	2,838,949	2,927,250	2,829,671
3,680,551	4,124,679	3,724,271	3,571,622	3,432,714
674,328	-	-	-	-
3,078,048	3,268,700	3,042,167	2,940,549	2,801,961
671,424	728,269	737,230	698,809	720,786
<u>16,559,992</u>	<u>16,446,705</u>	<u>15,481,792</u>	<u>15,297,059</u>	<u>14,469,323</u>
<u>\$ 34,738,498</u>	<u>\$ 34,310,207</u>	<u>\$ 33,708,895</u>	<u>\$ 34,736,867</u>	<u>\$ 34,838,841</u>
\$ 188,538	\$ 137,823	\$ 917,260	\$ 887,819	\$ 678,416
412,246	395,215	426,580	419,073	523,506
92,462	52,905	629,296	643,036	711,436
-	-	440,723	232,162	9,000
557,739	336,254	301,088	279,601	335,253
22,821	24,293	27,177	6,717	1,493
82,923	81,033	59,022	61,597	65,000
172,325	169,300	154,837	157,752	155,470
-	-	-	-	-
2,096,584	1,428,308	1,123,423	954,057	833,049
2,932,743	888,223	1,199,748	2,551,473	5,646,830
<u>6,558,381</u>	<u>3,513,354</u>	<u>5,279,154</u>	<u>6,193,287</u>	<u>8,959,453</u>
3,661,669	3,701,105	3,349,826	3,360,260	2,875,701
2,117,154	2,014,532	1,864,877	1,810,061	1,756,555
3,341,564	3,175,525	3,022,454	3,114,482	2,990,804
3,389,196	3,471,031	3,236,300	3,251,990	3,000,224
723,152	557,890	-	-	-
2,735,126	2,649,929	2,413,378	2,251,264	2,200,732
584,739	643,048	665,688	681,836	693,278
6,100	32,650	7,212	4,424	5,695
6,011	6,899	179,102	1,060,124	981,444
<u>16,564,711</u>	<u>16,252,609</u>	<u>14,738,837</u>	<u>15,534,441</u>	<u>14,504,433</u>
<u>\$ 23,123,092</u>	<u>\$ 19,765,963</u>	<u>\$ 20,017,991</u>	<u>\$ 21,727,728</u>	<u>\$ 23,463,886</u>
\$ (11,620,125)	\$ (14,350,148)	\$ (12,947,949)	\$ (13,246,521)	\$ (11,410,065)
4,719	(194,096)	(742,955)	237,382	35,110
<u>\$ 11,615,406</u>	<u>\$ 14,544,244</u>	<u>\$ 13,690,904</u>	<u>\$ 13,009,139</u>	<u>\$ 11,374,955</u>

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 18,570,054	\$ 17,565,362	\$ 15,926,127	\$ 13,979,615	\$ 13,737,436
Property taxes, levied for debt service	3,037,320	2,087,390	1,228,574	612,320	426,545
Tax increments	130,672	126,293	130,668	119,509	129,926
Franchise taxes	252,374	250,847	231,315	228,567	216,365
Other taxes	38,728	36,789	34,934	39,793	58,538
Grants and contributions not restricted to specific programs	1,215,076	1,350,331	1,517,171	1,796,830	1,136,834
Unrestricted investment earnings (loss)	818,561	(29,598)	528,855	2,190,982	(1,419,916)
Other revenues	201,387	54,659	68,355	30,032	101,291
Gain on sale of capital assets	10,316	71,779	105,141	31,854	89,842
Transfers	141,841	(883,795)	(1,940,807)	486,494	(977,026)
Total Governmental Activities	<u>24,416,329</u>	<u>20,630,057</u>	<u>17,830,333</u>	<u>19,515,996</u>	<u>13,499,835</u>
Business-type Activities					
Unrestricted investment earnings (loss)	90,603	211,253	339,807	1,115,146	(919,620)
Gain on sale of capital assets	60,707	30,807	104,459	112,220	122,127
Transfers	(141,841)	883,795	1,940,807	(486,494)	977,026
Loss on discontinued operations	-	-	-	(2,564,361)	-
Total Business-type Activities	<u>9,469</u>	<u>1,125,855</u>	<u>2,385,073</u>	<u>(1,823,489)</u>	<u>179,533</u>
Total Primary Government	<u>\$ 24,425,798</u>	<u>\$ 21,755,912</u>	<u>\$ 20,215,406</u>	<u>\$ 17,692,507</u>	<u>\$ 13,679,368</u>
<b>Changes in Net Position</b>					
Governmental Activities	\$ 11,169,000	\$ 4,552,095	\$ 10,712,313	\$ 6,159,766	\$ 1,408,257
Business-type Activities	<u>1,229,140</u>	<u>1,187,526</u>	<u>2,450,254</u>	<u>(1,440,966)</u>	<u>619,203</u>
Total Primary Government	<u>\$ 12,398,140</u>	<u>\$ 5,739,621</u>	<u>\$ 13,162,567</u>	<u>\$ 4,718,800</u>	<u>\$ 2,027,460</u>

Table 2 (Continued)

Fiscal Year				
2012	2011	2010	2009	2008
\$ 13,003,468	\$ 12,103,712	\$ 12,437,594	\$ 12,395,690	\$ 12,061,171
-	-	-	-	-
182,081	172,726	232,901	999,896	1,010,650
357,416	148,140	140,157	129,493	122,006
30,405	31,924	30,403	28,443	47,094
1,611,696	1,561,023	2,020,134	2,360,939	1,376,798
657,293	1,257,152	655,351	706,346	1,274,520
57,700	89,945	36,711	41,673	71,530
149,127	10,300	9,175	-	350
(3,036,946)	(301,902)	238,157	(2,690,027)	(76,595)
13,012,240	15,073,020	15,800,583	13,972,453	15,887,524
350,178	739,540	456,910	449,771	794,052
115,500	24,928	561,634	-	-
3,036,946	301,902	(238,157)	2,690,027	76,595
-	-	-	-	-
3,502,624	1,066,370	780,387	3,139,798	870,647
\$ 16,514,864	\$ 16,139,390	\$ 16,580,970	\$ 17,112,251	\$ 16,758,171
\$ 1,392,115	\$ 722,872	\$ 2,852,634	\$ 725,932	\$ 4,477,459
3,507,343	872,274	37,432	3,377,180	905,757
\$ 4,899,458	\$ 1,595,146	\$ 2,890,066	\$ 4,103,112	\$ 5,383,216

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



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 Specific Purposes	Levied for Debt Service				
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	13,737,436	-	426,545	129,926	216,365	58,538	14,568,810
2012	13,003,468	-	-	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
2008	12,061,171	-	-	1,010,650	122,006	47,094	13,240,921

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

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 1,063,817	\$ 142,122	\$ 113,387	\$ 193,687	\$ 252,568
Restricted (Reserved 2008 - 2010)	2,504,393	1,467,860	1,010,204	1,005,870	1,101,363
Committed	3,600,000	3,600,000	3,600,000	3,600,000	3,400,000
Assigned	542,741	-	-	-	-
Unassigned (Unreserved 2008 - 2010)	18,524,408	17,598,256	14,992,326	12,674,073	11,058,961
Total General Fund	<u>\$ 26,235,359</u>	<u>\$ 22,808,238</u>	<u>\$ 19,715,917</u>	<u>\$ 17,473,630</u>	<u>\$ 15,812,892</u>
All Other Governmental Funds					
Nonspendable	\$ 2,474,046	\$ 2,351,681	\$ 2,208,470	\$ 4,991,700	\$ 2,113,081
Restricted (Reserved 2008 - 2010)	14,714,608	12,706,743	11,169,450	10,865,226	10,238,897
Committed	3,240,965	3,277,743	5,788,854	767,845	831,826
Assigned	5,772,009	5,761,280	6,483,127	4,389,895	8,441,271
Unassigned (Unreserved 2008 - 2010)	(1,258,162)	(1,931,540)	(429,114)	(1,339,709)	(1,177,706)
Total All Other Governmental Funds	<u>\$ 24,943,466</u>	<u>\$ 22,165,907</u>	<u>\$ 25,220,787</u>	<u>\$ 19,674,957</u>	<u>\$ 20,447,369</u>

Table 4

Fiscal Year				
2012	2011	2010	2009	2008
\$ 289,632	\$ 378,256	\$ -	\$ -	\$ -
467,881	179,473	88,286	89,405	765,756
3,200,000	6,900,000	-	-	-
-	-	-	-	-
11,445,368	9,653,893	16,404,412	14,711,308	10,849,553
<u>\$ 15,402,881</u>	<u>\$ 17,111,622</u>	<u>\$ 16,492,698</u>	<u>\$ 14,800,713</u>	<u>\$ 11,615,309</u>
\$ 2,016,704	\$ 1,855,521	\$ -	\$ -	\$ -
11,187,608	12,677,653	14,620,699	15,892,114	16,521,630
475,212	50,000	-	-	-
7,189,612	8,029,651	-	-	-
(143,690)	(866,737)	6,161,448	5,769,957	6,821,564
<u>\$ 20,725,446</u>	<u>\$ 21,746,088</u>	<u>\$ 20,782,147</u>	<u>\$ 21,662,071</u>	<u>\$ 23,343,194</u>

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 22,016,695	\$ 20,149,887	\$ 17,522,463	\$ 15,027,160	\$ 14,590,910
Special assessments	867,140	491,636	410,235	1,300,387	2,141,695
Intergovernmental revenue	6,069,508	5,519,205	11,750,265	5,451,664	5,317,522
Licenses and permits	390,394	234,925	251,182	271,741	193,607
Charges for services	721,865	605,117	577,233	535,387	576,692
Fines and forfeits	82,057	89,599	88,125	83,991	88,015
Interest income (loss)	785,340	17,545	494,171	1,891,320	(1,175,216)
Miscellaneous	992,282	599,655	818,731	718,158	1,296,349
Total Revenues	<u>31,925,281</u>	<u>27,707,569</u>	<u>31,912,405</u>	<u>25,279,808</u>	<u>23,029,574</u>
<b>Expenditures</b>					
General government	1,657,839	1,814,476	1,834,768	1,715,823	1,675,393
Public safety	6,329,892	6,339,056	5,882,501	5,755,448	5,530,808
Public works	2,833,260	2,609,653	2,570,328	2,947,103	3,829,994
Storm water	-	-	-	-	-
Sanitation	84,249	49,339	43,891	49,680	95,464
Culture and recreation	3,606,939	3,259,092	3,033,293	3,187,335	3,487,693
Economic development	1,098,068	486,445	822,158	525,693	550,841
Airport	233,749	227,118	251,797	221,686	244,706
Cemeteries	286,930	404,413	332,475	323,860	293,358
Transit	-	27,720	48,200	22,904	20,193
Contingencies and other	153,065	180,769	81,536	85,994	154,763
Capital outlay	14,255,013	18,711,325	14,630,507	8,381,266	7,929,202
Debt service					
Principal	1,600,000	870,000	845,000	475,000	1,229,778
Interest and fiscal charges	515,743	312,479	140,702	165,689	76,905
Bond issuance costs	-	107,617	116,103	-	13,399
Total Expenditures	<u>32,654,747</u>	<u>35,399,502</u>	<u>30,633,259</u>	<u>23,857,481</u>	<u>25,132,497</u>
Excess of Revenues Over (Under) Expenditures	<u>(729,466)</u>	<u>(7,691,933)</u>	<u>1,279,146</u>	<u>1,422,327</u>	<u>(2,102,923)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	39,566	148,679	105,141	43,685	89,842
Transfers in	4,587,172	4,349,273	4,723,724	5,231,828	2,324,126
Bonds issued	6,740,000	8,525,000	7,735,000	1,115,000	2,930,000
Premiums on bonds issued	494,647	339,490	221,357	19,612	115,693
Transfers out	(4,927,239)	(5,633,068)	(6,276,251)	(5,201,062)	(3,224,804)
Total Other Financing Sources (Uses)	<u>6,934,146</u>	<u>7,729,374</u>	<u>6,508,971</u>	<u>1,209,063</u>	<u>2,234,857</u>
Net Change in Fund Balance	<u>\$ 6,204,680</u>	<u>\$ 37,441</u>	<u>\$ 7,788,117</u>	<u>\$ 2,631,390</u>	<u>\$ 131,934</u>
Debt service as a percentage of noncapital expenditures	11.54%	7.07%	6.21%	4.16%	7.59%
Debt service as a percentage of total expenditures	6.48%	3.34%	3.22%	2.69%	5.20%

Table 5

Fiscal Year				
2012	2011	2010	2009	2008
\$ 13,595,074	\$ 12,475,584	\$ 12,798,927	\$ 13,558,893	\$ 13,177,966
1,183,707	500,460	764,107	903,363	970,841
4,876,778	3,474,515	3,713,359	3,977,829	2,810,099
207,338	186,541	193,790	203,838	298,073
657,924	556,262	2,241,024	2,009,568	1,697,142
95,804	113,624	92,010	224,585	131,719
611,860	1,201,002	536,410	675,171	1,129,967
973,166	539,205	602,992	1,734,194	700,775
<u>22,201,651</u>	<u>19,047,193</u>	<u>20,942,619</u>	<u>23,287,441</u>	<u>20,916,582</u>
1,637,430	1,885,793	2,672,512	2,995,979	3,061,231
5,220,262	5,289,918	5,432,783	5,529,460	5,488,262
3,234,677	2,779,132	3,439,138	3,398,471	4,110,267
-	-	298,935	333,747	395,616
36,804	49,213	42,224	35,681	35,971
2,736,273	2,973,146	2,748,279	2,933,926	3,191,580
1,238,660	429,599	406,373	607,341	176,063
219,222	231,346	247,582	233,431	253,885
277,906	260,461	231,676	253,865	397,311
269	13,869	-	22,603	42,298
140,355	124,213	84,567	123,767	118,942
7,586,199	3,182,182	3,212,101	3,210,844	1,818,355
1,231,939	1,010,415	1,476,143	1,622,459	1,581,234
115,742	185,237	208,882	281,586	369,706
19,081	-	-	-	-
<u>23,694,819</u>	<u>18,414,524</u>	<u>20,501,195</u>	<u>21,583,160</u>	<u>21,040,721</u>
<u>(1,493,168)</u>	<u>632,669</u>	<u>441,424</u>	<u>1,704,281</u>	<u>(124,139)</u>
149,127	-	9,175	-	350
3,936,506	2,274,976	4,418,882	5,675,237	3,254,013
2,375,000	1,835,000	-	-	-
-	-	-	-	-
<u>(7,696,848)</u>	<u>(3,098,264)</u>	<u>(4,057,420)</u>	<u>(5,875,237)</u>	<u>(3,330,608)</u>
<u>(1,236,215)</u>	<u>1,011,712</u>	<u>370,637</u>	<u>(200,000)</u>	<u>(76,245)</u>
<u>\$ (2,729,383)</u>	<u>\$ 1,644,381</u>	<u>\$ 812,061</u>	<u>\$ 1,504,281</u>	<u>\$ (200,384)</u>
8.36%	7.85%	9.75%	10.97%	10.65%
5.69%	6.49%	8.22%	8.82%	9.27%

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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
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
2008	12,003,479	1,005,387	122,006	47,094	13,177,966

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
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	4,217,687	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
2008	10,305,121	4,384,700	8,619,212	204,192	847,815

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

Total Real Estate Tax Capacity	Personal Property Tax Capacity	Total Net Tax Capacity	Total Direct Tax Rate	Fully Taxable Market Value	Tax Capacity as a Percentage of Fully Market Value
\$ 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	1,896,569,900	1.54
25,812,546	404,264	26,216,810	65.897	1,722,824,900	1.53
22,432,964	391,636	22,824,600	64.225	1,557,451,200	1.47
23,268,101	387,988	23,656,089	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
22,665,410	325,201	22,990,611	54.698	1,715,048,800	1.39

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).			
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
2008	54.698	-	54.698

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	
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
42.694	17.580	2.281	62.555	117.253

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

Table 9

Taxpayer	Type of Business	2017			2008		
		Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Xcel Energy	Utility	\$ 17,828,566	1	57.1 %	\$ 9,116,637	1	39.7 %
Mayo Clinic Health System	Medical Services	252,080	2	0.8	185,861	4	0.8
Wal-Mart Stores Incorporated	Retail	190,832	3	0.6	239,440	2	1.0
Menards, Inc.	Retail	186,144	4	0.6	213,890	3	0.9
Red Wing Shoe Company	Manufacturing	184,799	5	0.6	159,643	6	0.7
BIC Graphic USA	Manufacturing	118,700	6	0.4	83,386	8	0.4
Target Corporation	Retail	115,878	7	0.4	168,364	5	0.7
M & E Realty Company	Real Estate	114,190	8	0.4	131,936	7	0.6
Principal Investments LLC	Real Estate	111,776	9	0.4	-	-	-
Red Wing Grain	Grain Processing	109,779	10	0.4	-	-	-
Red Wing Hotel Corporation	Hotel	-		-	77,235	10	0.3
Archer-Daniels Midland	Soybean Processor	-		-	82,163	9	0.4
Total		<u>\$ 19,212,744</u>		<u>61.7 %</u>	<u>\$ 10,458,555</u>		<u>45.5 %</u>
Total All Property		<u>\$ 31,229,402</u>			<u>\$ 22,990,611</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
2017	\$ 21,590,468	\$ 21,500,413	99.6 %	\$ -	\$ 21,500,413	99.6 %
2016	19,551,029	19,464,518	99.6	58,362	19,522,880	99.9
2015	17,187,783	17,068,910	99.3	107,290	17,176,200	99.9
2014	14,572,110	14,474,632	99.3	90,596	14,565,228	100.0
2013	14,147,810	13,976,021	98.8	167,124	14,143,145	100.0
2012	13,015,000	12,779,149	98.2	232,553	13,011,702	100.0
2011	12,226,569	12,070,830	98.7	154,317	12,225,147	100.0
2010	12,179,625	11,978,988	98.4	199,543	12,178,531	100.0
2009	12,188,861	12,030,576	98.7	156,053	12,186,629	100.0
2008	12,047,521	11,854,495	98.4	191,760	12,046,255	100.0

Sources: Springsted Inc. and City Finance 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					
	General Obligation Bonds	General Obligation Tax Increment	General Obligation Improvement	Revenue Bonds	Loans Payable	Capital Leases
2017	\$ 28,355,125	\$ -	\$ -	\$ -	\$ -	\$ -
2016	22,790,094	-	-	-	-	-
2015	14,831,270	-	-	-	-	-
2014	7,733,443	-	-	-	-	-
2013	7,086,754	-	-	-	-	-
2012	4,210,000	-	250,000	728,442	-	91,336
2011	1,835,000	-	1,045,000	1,078,551	-	178,166
2010	-	-	1,920,000	1,131,421	-	260,711
2009	-	490,000	2,770,000	1,189,090	-	339,185
2008	-	1,155,000	3,595,000	1,246,949	-	413,785

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

Table 11

Business-type Activities			
General Obligation Revenue	Total Primary Government	Percentage of Personal Income	Bonded Debt Per Capita
\$ 14,129,585	\$ 42,484,710	1.86 %	\$ 2,568
13,063,206	35,853,300	1.57	2,167
14,701,402	29,532,672	1.31	1,786
16,292,988	24,026,431	1.10	1,456
18,580,255	25,667,009	1.25	1,557
20,168,482	25,448,260	1.23	1,544
21,768,941	25,905,658	1.34	1,577
24,168,891	27,481,023	1.51	1,670
24,683,588	29,471,863	1.69	1,809
25,973,075	32,383,809	1.78	1,987

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	
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
2008	-	1,155,000	3,595,000	25,973,075	30,723,075

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
\$	3,019,697	\$ 39,465,013	1.96 %	\$ 2,385
	1,999,460	33,853,840	1.79	2,046
	975,764	28,556,908	1.66	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
	3,067,567	27,655,508	1.61	1,697

City of Red Wing, Minnesota  
Direct and Overlapping Governmental Activities Debt  
December 31, 2017

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct debt			
City of Red Wing	\$ 42,484,710	100.00 %	\$ 42,484,710
Overlapping debt			
Goodhue County	20,470,000	42.80	8,761,160
Independent School District #256	29,000,000	84.90	24,621,000
Total overlapping debt	<u>49,470,000</u>		<u>33,382,160</u>
Total direct and overlapping debt	<u>\$ 91,954,710</u>		<u>\$ 75,866,870</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
2017	16,545	\$ 60,552,669	\$ 25,335,428	\$ 35,217,241	41.84 %	\$ 1,531
2016	16,545	56,897,097	20,790,634	36,106,463	36.54	1,257
2015	16,534	51,684,747	13,855,506	37,829,241	26.81	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
2008	16,300	51,451,464	1,682,433	49,769,031	3.27	103

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

**Legal Debt Margin Calculation for Fiscal Year 2017**

Market Value	\$ 2,018,422,300
Add Back Exempt Real Property	-
Total Assessed Value	<u>2,018,422,300</u>
Debt Limit (3% of Market Value)	<u>60,552,669</u>
Debt Applicable to Limit	
General obligation bonds	28,355,125
Less amount set aside for repayment of general obligation debt	<u>3,019,697</u>
Total Net Debt Applicable to Limit	<u>25,335,428</u>
Legal Debt Margin	<u><u>\$ 35,217,241</u></u>

City of Red Wing, Minnesota  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Table 15

Water Revenue Bonds							
Fiscal Year	Utility Operating Revenue	Operating Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2017	\$ 3,230,339	\$ 2,306,568	\$ 923,771	\$ 863,000	\$ 185,462	\$ 1,048,462	0.88
2016	3,158,830	2,336,511	822,319	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
2008	2,910,301	1,850,515	1,059,786	722,450	387,235	1,109,685	0.96

Sewer Revenue Bonds							
Fiscal Year	Utility Operating Revenues	Operating Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2008	2,883,733	2,502,078	381,655	492,987	239,137	732,124	0.52

Marina Revenue Bonds							
Fiscal Year	Marina Operating Revenues	Operating Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2008	693,278	522,606	170,672	60,000	53,183	113,183	1.51

Disposal System Revenue Bonds							
Fiscal Year	Solid Waste Campus Operating Revenues	Operating Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	N/A
2008	-	-	-	-	-	-	N/A

(1) Operating expenses do not include depreciation.

Source: City Finance Department.

City of Red Wing, Minnesota  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Table 16

Fiscal Year	Population <sup>(1)</sup>	Goodhue County Personal Income <sup>(2)</sup>	Goodhue County Per Capita Personal Income <sup>(2)</sup>	Goodhue County Unemployment Rate <sup>(3)</sup>
2017	16,545	\$ 2,281,877,000	\$ 48,888	3.4 %
2016	16,545	2,281,877,000	48,888	3.7
2015	16,534	2,248,709,000	48,427	3.6
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	5.1
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
2008	16,300	1,818,503,000	39,602	5.7

(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 2017 Personal Income information for Goodhue County will not be released until sometime in August of 2018, therefore the 2016 figures were used.

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

	2017		
	Employees	Rank	Percentage of Total City Employment
Treasure Island Casino (a)	1,644 (b)	1	13.04 %
Red Wing Shoe Company	1,040	2	8.25
Mayo Clinic Health System	747	3	5.92
Xcel Energy	700	4	5.55
Bic Graphic USA	450	6	3.57
Capital Safety	376	5	2.98
Independent School District #256	403	7	3.20
Goodhue County	351	8	2.78
Hiawatha Home care	170	9	1.35
St. Crispin Living Community (c)	190	10	1.51
City of Red Wing	-		-
Total	6,071		48.15 %
Total City Employment	12,611		

Sources: State of Minnesota, Department of Employment and Economic Development, March 2018 phone survey  
of individual employers and 2008 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

2008		
Employees	Rank	Percentage of Total City Employment
1,528	1	11.83 %
773	3	5.98
800	2	6.19
752	4	5.82
320	8	2.48
457	5	3.54
425	6	3.29
370	7	2.86
190	9	1.47
-		-
181	10	1.40
<u>5,796</u>		<u>44.86 %</u>
<u>12,918</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			
	2017	2016	2015	2014
Governmental Activities				
General Government				
Council administrator	-	-	-	-
City clerk	-	-	-	-
Finance	-	-	-	-
Employee services	-	-	-	-
Community development	-	-	-	-
Communications	-	-	-	-
Information services	-	-	-	-
Public Safety				
Police	34	32	32	32
Fire	13	12	12	13
Inspection	1	2	2	2
Streets and Highways				
Maintenance	10	12	11	10
Engineering	6	6	7	7
Culture and Recreation				
Library	9	9	9	9
Parks	6	6	6	6
All Other Governmental Employees				
Cemetery	1	1	1	1
Public services	2	3	2	2
Buildings and grounds	5	5	5	5
Central services	6	6	6	7
Community development	6	-	-	-
Port Authority	0	1	1	2
Sheldon Theatre	4	4	4	4
Internal service administration	20	20	21	18
Business-type Activities				
Refuse and Recycling	12	12	11	10
Water	10	11	11	11
Sewer	13	13	13	12
Storm Water	3	2	2	1
Solid Waste Campus	9	10	10	9
Marina	1	1	1	1
Ambulance	13	13	13	13
Total	<u>184</u>	<u>181</u>	<u>181</u>	<u>175</u>

Sources: City Finance 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					
2013	2012	2011	2010	2009	2008
-	-	-	2	2	2
-	-	-	2	2	2
-	-	-	4	4	4
-	-	-	4	4	4
-	1	3	3	3	3
-	-	-	2	2	3
-	-	-	3	3	3
31	31	31	31	31	35
12	12	12	12	12	11
2	2	1	4	4	6
11	10	15	15	11	11
7	7	7	7	7	7
9	8	9	9	9	9
7	7	9	9	9	9
-	-	-	-	1	2
2	2	-	-	-	-
5	5	-	-	-	-
5	6	6	6	6	6
-	-	-	-	-	-
2	2	2	2	3	3
3	3	3	3	3	3
18	17	18	-	-	-
9	9	9	10	13	12
11	11	11	12	11	11
13	14	14	14	14	13
1	1	1	1	1	-
12	12	12	12	13	13
1	1	1	1	1	1
13	12	12	12	12	11
174	173	176	180	181	184

City of Red Wing, Minnesota  
Operating Indicators By Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2017	2016	2015	2014
Elections*				
Number of registered voters		10,602		9,644
Number of votes cast		8,557		5,426
Police				
Number of calls for service	14,341	14,754	14,669	14,976
Fire				
Number of fire calls	454	639	704	732
Building permits				
Newly issued residential permits	26	15	18	17
Total valuation of residential permits	\$ 3,749,772	\$ 2,723,955	\$ 3,426,276	\$ 4,514,616
Newly issued civic, institutional, commercial, & industrial permits	4	4	3	8
Total valuation of civic, institutional, commercial, & industrial permits	\$ 5,997,178	\$ 5,133,000	\$ 3,349,910	\$ 11,728,189
Refuse				
Refuse collected (tons/year)	7,871	7,041	7,063	6,603
Water				
Number of accounts	6,238	6,231	6,235	6,227
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					
2013	2012	2011	2010	2009	2008
	9,443		9,522		10,185
	8,748		6,568		8,860
15,497	15,980	15,472	14,479	11,859	11,432
837	877	920	949	929	991
7	8	9	8	5	17
\$ 1,565,000	\$ 1,333,434	\$ 1,539,000	\$ 1,601,745	\$ 1,063,647	\$ 2,521,878
8	5	4	1	3	7
\$ 1,732,280	\$ 3,533,494	\$ 1,708,850	\$ 1,664,000	\$ 1,065,000	\$ 4,414,233
6,614	6,802	6,787	6,458	6,222	6,168
6,205	6,205	6,206	6,249	6,255	6,192
1,500,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
3,300,000	4,000,000	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			
	2017	2016	2015	2014
General Government				
Municipal governmental buildings	9	9	9	9
Public Safety				
Police				
Police units	21	21	20	18
Fire				
Fire units	9	10	9	8
Public Works				
Street division				
Miles of street	117.55	117.65	117.56	117.50
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					
2013	2012	2011	2010	2009	2008
9	9	9	9	9	9
18	18	17	18	18	19
8	8	7	7	7	7
117.50	117.59	117.47	117.33	117.28	116.98
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	3

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

SUPPLEMENTARY INFORMATION  
(UNAUDITED)

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Red Wing  
Red Wing, Minnesota

Schedule A

Schedule of Cash and Investments  
December 31, 2017

	Interest Rate (%)	Maturity Date	Carrying Amount
<b>General Pooled Deposits and Investments</b>			
<b>Checking accounts</b>			
Merchants Bank	Varies	-	\$ 2,152,493
Wells Fargo	Varies	-	5,580
<b>Total checking accounts</b>			<b>2,158,073</b>
<b>Petty cash</b>			
			2,425
<b>Negotiable certificates of deposit</b>			
JP Morgan Chase Bank, Columbus, OH	1.00%	3/22/2018	244,910
Wells Fargo Bank, Sioux Falls, SD	1.05%	6/1/2018	49,904
Wex Bank, Midvale, UT	1.00%	7/9/2018	244,353
GE Capital Bank, Salt Lake City, UT	2.00%	7/13/2018	245,613
Ally Bank, Midvale, UT	1.15%	9/17/2018	243,861
Mercantil Commercial Bank, Coral Gables, FL	1.20%	9/21/2018	243,856
Bank Hapoalim, New York, NY	1.20%	6/3/2019	49,539
CIT Bank, Salt Lake City, UT	2.10%	7/5/2019	245,809
Bank of Hope, Los Angeles, CA	1.70%	11/26/2019	49,730
Sallie Mae Bank, Salt Lake City, UT	2.05%	12/20/2019	245,206
Morgan Stanley Bank, Salt Lake City, UT	2.10%	12/23/2019	245,434
Goldman Sachs Bank, New York, NY	2.00%	1/28/2020	246,862
Discover Bank, New York, NY	2.00%	2/19/2020	244,804
Worlds Foremost Bank, Sidney, NE	2.00%	4/15/2020	198,646
American Express Centurian Bank, Salt Lake City, UT	2.10%	6/3/2020	243,346
BMW Bank of North America, Salt Lake City, UT	2.10%	6/15/2020	244,165
Capital One Bank USA, Glen Allen, VA	2.15%	6/17/2020	224,226
Capital One Bank, McLean, VA	2.30%	8/12/2020	246,116
Comenity Bank, Wilmington, DE	2.35%	8/12/2020	200,256
Orrstown Bank, Shippensburg, PA	2.00%	8/28/2020	244,192
Lake City Bank, Warsaw, IN	1.90%	9/8/2020	243,515
HSBC Bank USA, McLean, VA	2.00%	10/7/2021	242,619
Banknewport, Newport, RI	2.00%	2/28/2022	241,979
Celtic Bank, Salt Lake City, UT	2.15%	7/19/2022	242,329
Community Bank of Chesapeake, Waldorf, MD	2.05%	9/22/2022	240,683
BMO Harris Bank, Chicago, IL	2.00%	11/7/2022	239,838
<b>Total Negotiable Certificates of Deposit</b>			<b>5,651,791</b>
<b>U.S. government securities</b>			
FFCB	4.90%	12/28/2020	2,036,133
FHLB	Step Up 1.00% - 6.00%	2/26/2021	1,485,765
FHLMC	Step Up 1.25% - 6.00%	3/30/2021	818,227
FNMA	Step Up 1.00% - 3.00%	8/24/2021	494,715
FHLMC	Step Up 1.00% - 2.50%	9/30/2021	747,458
FHLB	Step Up 1.00% - 4.00%	1/27/2022	998,670
FHLB	Step Up 1.50% - 3.00%	5/23/2022	726,467
FHLMC	2.20%	7/29/2022	739,567
FHLB	Step Up 1.75% - 3.75%	10/27/2022	498,300
FNMA	2.20%	10/27/2022	494,275
FHLMC	Step Up 1.00% - 3.00%	10/27/2023	3,716,150
FNMA	Step Up 1.25% - 4.00%	3/28/2024	495,365
FNMA	Step Up 1.50% - 4.50%	6/14/2024	1,086,030
FHLB	Step Up 1.50% - 8.00%	11/25/2024	489,715
FHLB	Step Up 1.25% - 9.00%	3/28/2025	2,950,440
FNMA	Step Up 1.75% - 4.50%	3/17/2026	992,090
FHLMC	Step Up 2.00% - 3.50%	4/28/2026	4,028,640
FNMA	Step Up 1.50% - 4.50%	4/28/2026	395,700
FHLMC	Step Up 1.50% - 5.00%	6/9/2026	3,973,560
FHLB	Step Up 1.50% - 5.00%	9/30/2026	1,764,271
FHLB	Step Up 1.50% - 8.00%	10/28/2026	973,820
FHLMC	Step Up 1.50% - 6.00%	10/28/2026	2,917,210
FHLB	Step Up 1.25% - 4.00%	8/15/2028	1,981,140
FHLB	Step Up 1.50% - 10.00%	11/1/2028	958,870
FNMA POOL	5.00%	5/1/2033	26,434
FNMA POOL	5.00%	5/15/2033	29,344
FNMA POOL	4.50%	6/1/2033	175,755
<b>Total U.S. Government Securities</b>			<b>35,994,111</b>
<b>Other Investments</b>			
St. Paul Foundation			4,042,522
Broker Money Market Accounts			21,669,123
Assets Held with Fiscal Agent			2,707,953
<b>Total other investments</b>			<b>28,419,598</b>
<b>Total General Pooled Deposits and Investments</b>			<b>\$ 72,225,998</b>

City of Red Wing, Minnesota  
Schedule of Intergovernmental Revenue  
Continued on the Following Pages  
For the Year Ended December 31, 2017

		Special Revenue Funds			Capital Projects Funds		
	General Fund	Airport	Library	Total	Airport Federal Projects	River Renaissance Phase II	Safe Routes To School Project
Shared Revenue							
State							
Highway users tax	\$ 291,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market value credit	5,057	-	-	-	-	-	-
Local government aid	1,124,856	-	-	-	-	-	-
State PERA aid	32,922	-	-	-	-	-	-
State police pension aid	228,826	-	-	-	-	-	-
State fire pension aid	114,830	-	-	-	-	-	-
Total Shared Revenue	1,798,414	-	-	-	-	-	-
Grants							
County and Local							
Miscellaneous	60,056	-	114,578	114,578	-	-	160,000
Total County and Local	60,056	-	114,578	114,578	-	-	160,000
State							
Minnesota Department of Public Safety	12,227	-	-	-	-	-	-
Police - Toward Zero Deaths	4,361	-	-	-	-	-	-
Transportation	-	42,965	-	42,965	43,360	-	-
Miscellaneous	5,181	-	-	-	-	-	-
Minnesota Historical & Cultural	-	-	-	-	-	-	-
Minnesota Peace Officers Board (POST)	15,642	-	-	-	-	-	-
Total State	37,411	42,965	-	42,965	43,360	-	-
Federal							
U.S. Department of Justice							
Transportation	34,351	-	-	-	232,796	21,840	726,818
Total Federal	37,711	-	-	-	232,796	21,840	726,818
Total Grants	135,178	42,965	114,578	157,543	276,156	21,840	886,818
Total Intergovernmental Revenue	\$ 1,933,592	\$ 42,965	\$ 114,578	\$ 157,543	\$ 276,156	\$ 21,840	\$ 886,818

**Schedule B**

<b>Capital Projects Funds</b>							
<u>Barn Bluff Park Project</u>	<u>River Renaissance Levee Road</u>	<u>Highway 63 River Crossing Bridge</u>	<u>Highway #61 Reconstruction</u>	<u>CSO-PBF Building</u>	<u>Oakwood Cemetery Renewal Project</u>	<u>Total</u>	<u>Totals All Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291,923
-	-	-	-	-	-	-	5,057
-	-	-	-	-	-	-	1,124,856
-	-	-	-	-	-	-	32,922
-	-	-	-	-	-	-	228,826
-	-	-	-	-	-	-	114,830
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,798,414</u>
268,312	-	-	-	-	-	428,312	602,946
<u>268,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,312</u>	<u>602,946</u>
-	-	-	-	-	-	-	12,227
-	-	-	-	-	-	-	4,361
-	1,576,471	80,515	381,000	94,450	-	2,175,796	2,218,761
-	-	-	-	-	-	-	5,181
199,505	-	-	-	-	193,306	392,811	392,811
-	-	-	-	-	-	-	15,642
<u>199,505</u>	<u>1,576,471</u>	<u>80,515</u>	<u>381,000</u>	<u>94,450</u>	<u>193,306</u>	<u>2,568,607</u>	<u>2,648,983</u>
-	-	-	-	-	-	-	3,360
-	-	-	-	-	-	981,454	1,015,805
-	-	-	-	-	-	<u>981,454</u>	<u>1,019,165</u>
<u>467,817</u>	<u>1,576,471</u>	<u>80,515</u>	<u>381,000</u>	<u>94,450</u>	<u>193,306</u>	<u>3,978,373</u>	<u>4,271,094</u>
<u>\$ 467,817</u>	<u>\$ 1,576,471</u>	<u>\$ 80,515</u>	<u>\$ 381,000</u>	<u>\$ 94,450</u>	<u>\$ 193,306</u>	<u>\$ 3,978,373</u>	<u>\$ 6,069,508</u>

# City of Red Wing, Minnesota

## Detailed Combined Schedule of Indebtedness Fof the Year Ended December 31, 2017

<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-25	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-29	100%
Total General Obligation Bonds				
<u>General Obligation Revenue Bonds</u>				
\$750M Sewer Revenue Note 1996	3.824	20-Dec-96	20-Aug-17	0%
\$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 2018</u>	<u>Interest Due in 2018</u>
\$ 1,835,000	\$ 1,835,000	\$ 860,000	\$ 975,000	\$ 190,000	\$ 19,573
2,375,000	2,375,000	1,225,000	1,150,000	320,000	17,400
2,930,000	2,930,000	835,000	2,095,000	295,000	38,950
1,115,000	1,115,000	315,000	800,000	110,000	15,145
7,735,000	7,735,000	715,000	7,020,000	730,000	133,100
8,525,000	8,525,000	-	8,525,000	725,000	163,250
6,740,000	6,740,000	-	6,740,000	650,000	231,887
<u>31,255,000</u>	<u>31,255,000</u>	<u>3,950,000</u>	<u>27,305,000</u>	<u>3,020,000</u>	<u>619,305</u>
750,000	750,000	750,000	-	-	-
700,000	700,000	676,424	23,576	23,576	401
2,500,000	2,500,000	2,435,417	64,583	64,583	1,079
2,100,000	1,494,594	1,005,594	489,000	91,000	18,289
15,417,000	15,283,450	9,567,450	5,716,000	888,000	161,134
5,283,360	5,283,360	3,061,360	2,222,000	296,000	51,995
4,070,000	4,070,000	1,215,000	2,855,000	2,855,000	65,146
2,585,000	2,585,000	-	2,585,000	-	87,456
<u>33,405,360</u>	<u>32,666,404</u>	<u>18,711,245</u>	<u>13,955,159</u>	<u>4,218,159</u>	<u>385,500</u>
<u>\$ 64,990,440</u>	<u>\$64,251,484</u>	<u>\$ 22,991,325</u>	<u>\$41,260,159</u>	<u>\$7,238,159</u>	<u>\$1,004,805</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, 2017  
(Unaudited)

Schedule D

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds:				
Tax increments received	\$ 6,092,300	\$ 2,175,718	\$ 130,672	\$ (3,785,910)
Interest on invested funds	-	172	-	172
Total Sources of Funds	<u>6,092,300</u>	<u>2,175,890</u>	<u>130,672</u>	<u>(3,785,738)</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	1,036,204	124,138	1,299,658
Administration	295,000	82,669	1,025	211,306
Capitalized interest	120,000	-	-	120,000
Total Uses of Funds	<u>6,092,300</u>	<u>2,149,874</u>	<u>125,163</u>	<u>3,817,263</u>
District Balance (or Deficiency)	<u>-</u>	<u>26,016</u>	<u>5,509</u>	<u>31,525</u>
Funds Remaining (or Deficiency)	<u>\$ -</u>	<u>\$ 26,016</u>	<u>\$ 5,509</u>	<u>\$ 31,525</u>

SINGLE AUDIT AND  
OTHER REQUIRED REPORTS

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

THIS PAGE IS LEFT  
BLANK INTENTIONALLY





INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Red Wing, Minnesota

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018.

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 13, 2018

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, 2017, 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 13, 2018.

**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.

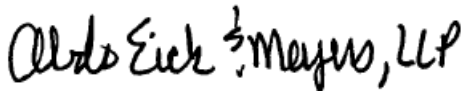
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 13, 2018

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, 2017. 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, 2017.

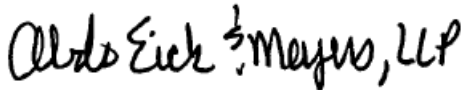
## Report on Internal Control Over Compliance

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 13, 2018

City of Red Wing, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

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 Planning and Construction	20.205		\$ 748,658
U.S. Department of Justice	Direct	Bulletproof Vest Partnership Program	16.607	N/A	3,360
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106		232,796
U.S. Department of Transportation	Direct	Interagency Hazardous Materials Public Sector Training	20.703		<u>34,351</u>
	Total Federal Expenditures				<u>\$ 1,019,165</u>

City of Red Wing, Minnesota  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

**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, 2017. 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, 2017 the City did not elect to use the 10 percent de minimis indirect cost rate.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Red Wing, Minnesota  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2017

**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).