

# Popular Annual Financial Report

City of Red Wing, MN  
For the Fiscal Year Ended  
December 31, 2020



@CityOfRedWingMN



315 West 4th Street  
Red Wing, MN 55066

# IN THIS REPORT

The leadership of your City takes its financial responsibilities to the community very seriously. The purpose of this Popular Annual Financial Report (PAFR) is to inform the community of the City's financial activity in a simple, easy-to-read format for the fiscal year ended December 31, 2020. These highlights are based upon the City's Comprehensive Annual Financial Report, based on Generally Accepted Accounting Principles (GAAP). Please note that the Comprehensive Annual Financial Report is a more inclusive, audited document.

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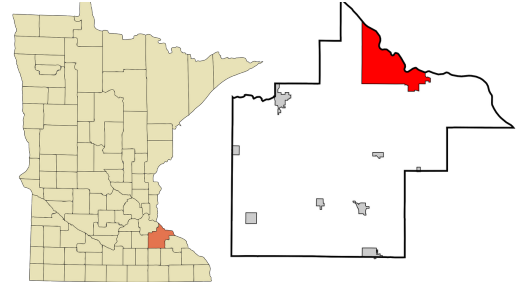
Note: the City is also financially accountable for the legally separate Red Wing Port Authority, which is reported separately as an excluded component unit in the City's Comprehensive Annual Financial Report.



# ABOUT OUR CITY

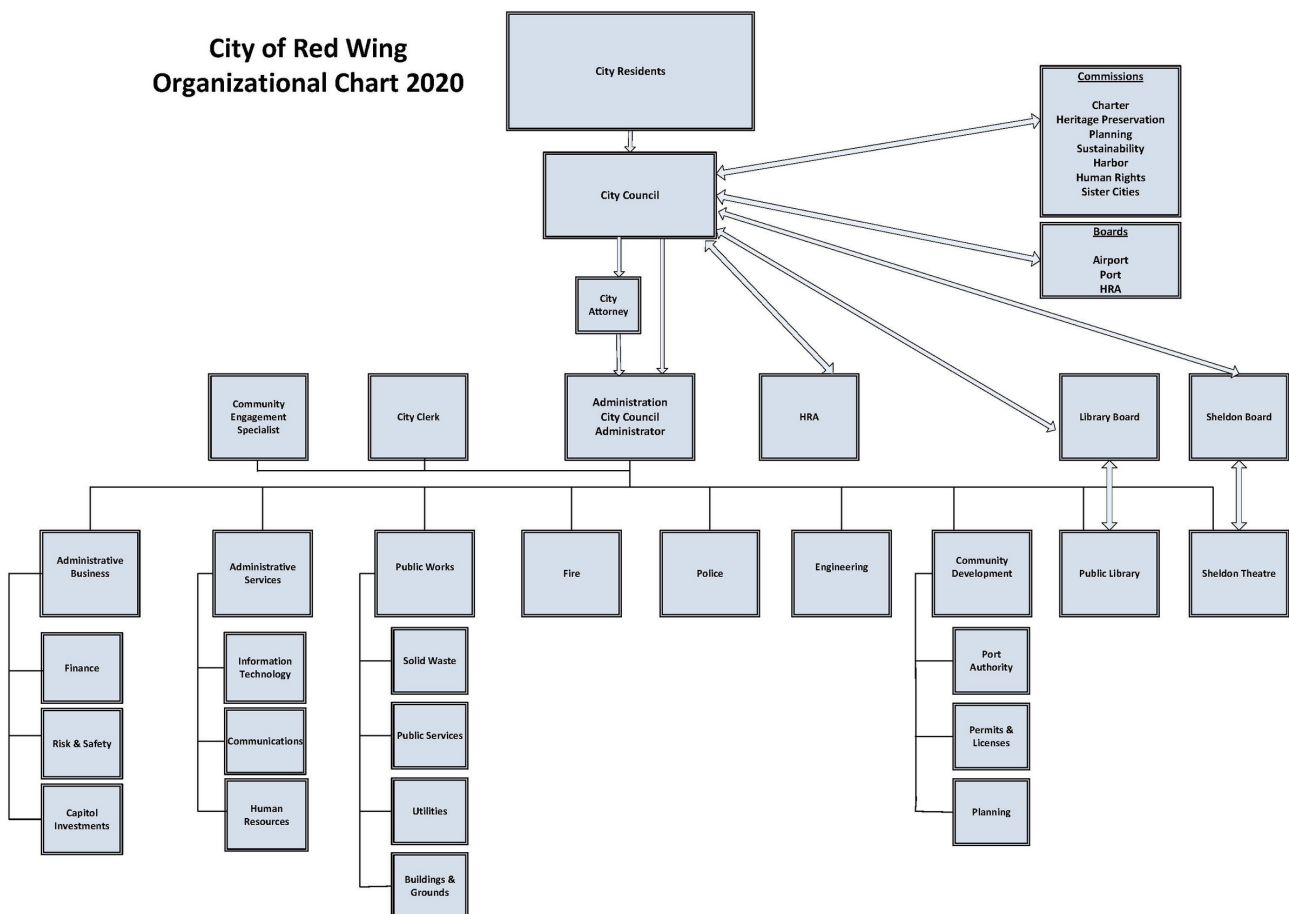
Red Wing was incorporated on March 4, 1857. The City is situated on the Mississippi River, at the headwaters of Lake Pepin, approximately 50 miles southeast of Minneapolis-St. Paul. It is the county seat of Goodhue County and covers an area of 41.28 square miles.

The City's estimated 2020 population is 16,416, a 1.86 percent increase over the 2000 Census of 16,116 and a 0.3 percent decrease over the 2010 Census of 16,459.



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 Council is responsible for passing ordinances, adopting the budget, and appointing committees, as well as department heads and directors. The Council Administrator is the City's chief administrative officer and is responsible for overseeing day-to-day operations and monitoring the financial needs and conditions of the City.

**City of Red Wing  
Organizational Chart 2020**



# ABOUT OUR CITY



Red Wing has an abundance to offer, for residents and visitors alike. It boasts a thriving art community, and there are numerous dining options including local vineyards and a brewery. Home to Red Wing Shoes, this town is no stranger to hard work - many industries make their home in Red Wing, and employment opportunities abound. With bald eagles nesting along its shores, historic buildings, technological innovation and an American flag flying over the city - Red Wing really is a small slice of the American Dream.

Built in 1904, the Sheldon Theatre is among the oldest operating theatres in Minnesota, and one of the few to maintain live performances throughout its lifespan. Its ornate gilded interior is rich with layers of history, while the contemporary programs are known for their high quality and an eclectic, on-purpose approach.



23rd out of 109 Top Historic  
Destinations in the World

 NATIONAL  
GEOGRAPHIC

10 Charming MN  
Main Streets



In historic downtown, the Pottery District and surrounding area, there is a combination of unique, locally owned shops and world famous brands that started right here in Red Wing. Our family-owned shops feature high quality goods and services with local flair, including the Red Wing Shoes museum, where one can view the World's Largest Boot (size 638 ½) and learn about the company's history. On Main Street, a Top 10 Charming Minnesota Street, shopkeepers are happy to share the stories behind their products and strive to make visits enjoyable.

# THE BUDGETING PROCESS

The Covid-19 pandemic was an unexpected disruption in 2020. The City utilized necessary risk management functions to address the pandemic and implemented federal and state legislative and agency actions in addressing Covid-19. The City was successful at identifying and obtaining financial aid from various programs, and establishing the processes and protocols necessary to ensure accurate tracking, reporting, and compliance. These efforts remain ongoing. The City is committed to long-term financial planning and management, and has an important responsibility to its citizens to plan for the adequate funding of services at an affordable cost. Proactive planning will ensure Red Wing remains a diverse and livable city, in which growth and recovery from the Covid-19 pandemic are paramount. In order for the City to manage the community finances smoothly, it divides various activities into several different funds. The seven basic fund types are divided as follows:

- The General Fund accounts for revenues and expenses that provide for basic operations of the City, i.e. police and fire protection and street maintenance.
- Special Revenue Funds account for activities restricted to specific purposes like grants or economic development.
- Debt Service Funds track revenues and expenses related to repayment of long term debt.
- Permanent Funds account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs
- The Capital Funds collect revenues from special assessments, state, and county aids and allot them toward construction or major capital expenses.
- Enterprise Funds account for activities that operate as public enterprises which are paid for by user fees, i.e., water, sewer & surface water management.
- Internal Service Funds account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominately self-supporting by user charges.

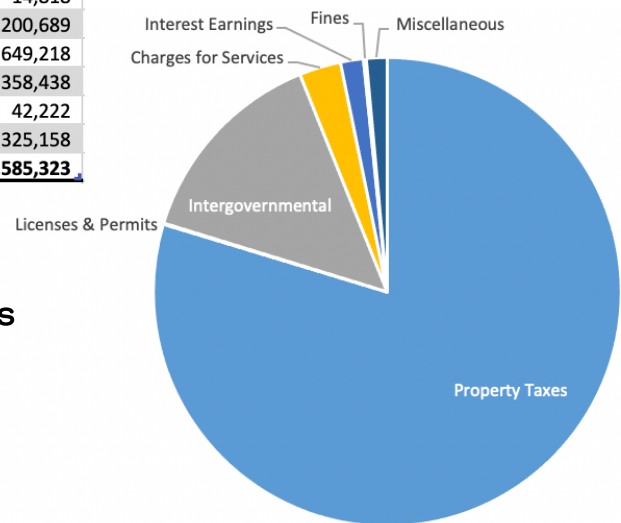


# GENERAL FUND

The City's General Fund is the largest fund and also one of the most vital to the City's operation. The General Fund is the primary fund that accounts for everyday general expenditures like street and park maintenance, police protection, and fire protection while at the same time supplementing portions of the other funds. Like most funds, the General Fund relies on the inflow of cash, shown as revenues and subsequently the outflow listed as expenditures. The primary revenue for the General Fund is property taxes.

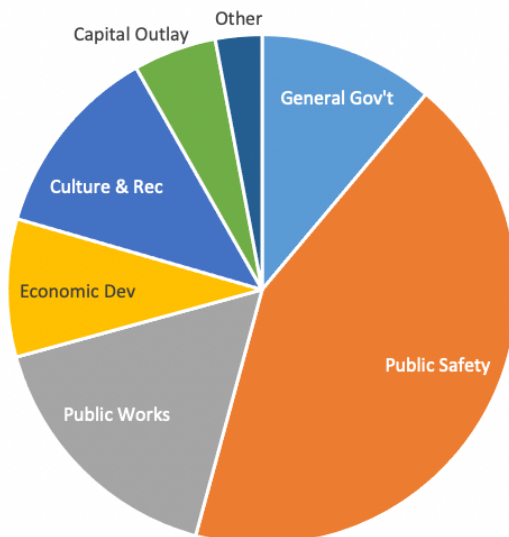
Category	2018	2019	2020
Property Taxes	\$ 19,809,641	\$ 14,473,071	\$ 17,994,780
Licenses & Permits	\$ 74,173	\$ 67,439	\$ 14,818
Intergovernmental	\$ 2,185,727	\$ 2,666,984	\$ 3,200,689
Charges for Services	\$ 879,323	\$ 796,495	\$ 649,218
Interest Earnings	\$ 481,322	\$ 1,074,423	\$ 358,438
Fines	\$ 79,859	\$ 73,310	\$ 42,222
Miscellaneous	\$ 619,785	\$ 104,753	\$ 325,158
<b>Total Revenues</b>	<b>\$ 24,129,810</b>	<b>\$ 19,256,475</b>	<b>\$ 22,585,323</b>

GENERAL FUND REVENUES



For the current fiscal year the City's revenue total was \$22,585,323 which was a \$3,319,348 a 17% increase from the previous year. More than 75% of the City's revenue comes from property taxes.

GENERAL FUND EXPENDITURES



Category	2018	2019	2020
General Gov't	\$ 1,930,751	\$ 2,064,234	\$ 2,067,986
Public Safety	\$ 6,755,050	\$ 7,180,802	\$ 8,028,438
Public Works	\$ 2,727,811	\$ 2,994,732	\$ 3,080,888
Economic Dev	\$ 1,529,665	\$ 1,366,504	\$ 1,628,826
Culture & Rec	\$ 2,169,282	\$ 2,415,663	\$ 2,290,945
Capital Outlay	\$ 3,761,092	\$ 2,082,783	\$ 981,989
Other	\$ 533,177	\$ 584,629	\$ 549,201
<b>Total Expenditures</b>	<b>\$ 19,406,828</b>	<b>\$ 18,689,347</b>	<b>\$ 18,628,273</b>

The City's total General Fund expenditures for 2020 were \$18,628,273, which was \$1,104,058 (5.6%) under the final budget. Overall, General Fund expenditures decreased \$610,774 (0.3%) from the previous year.

# PERMANENT FUNDS

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

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

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

City of Red Wing, Minnesota  
Permanent Funds  
Combining Balance Sheet  
December 31, 2020

	<b>851</b> Oakwood Care	<b>852</b> Oakwood Flower	<b>853</b> Burnside Care	<b>854</b> Burnside Flower	Total
<b>Assets</b>					
Cash and investments	\$ 1,546,347	\$ 935,535	\$ 388,088	\$ 154,464	\$ 3,024,434
Receivables					
Accrued interest	547	2,411	-	-	2,958
<b>Total Assets</b>	<u><u>\$ 1,546,894</u></u>	<u><u>\$ 937,946</u></u>	<u><u>\$ 388,088</u></u>	<u><u>\$ 154,464</u></u>	<u><u>\$ 3,027,392</u></u>
<b>Fund Balances</b>					
Nonspendable	\$ 1,123,434	\$ 583,153	\$ 285,495	\$ 106,545	\$ 2,098,627
Restricted	423,460	354,793	102,593	47,919	928,765
<b>Total Fund Balances</b>	<u><u>\$ 1,546,894</u></u>	<u><u>\$ 937,946</u></u>	<u><u>\$ 388,088</u></u>	<u><u>\$ 154,464</u></u>	<u><u>\$ 3,027,392</u></u>

# CAPITAL PROJECT FUNDS

The City has 31 Capital Project Funds, roughly half of which are for road improvements and additions, and the remaining for City facilities, park and trail improvements, and other miscellaneous purposes. A significant revenue source for street projects are special assessments to benefitting properties and interest earnings. Revenue sources for the park improvement funds include park dedication fees and interest earnings. Projects in these capital funds are scheduled in the City's 5-year capital improvement plan. The Capital Project funds had revenues of \$4,371,370 in 2020. Total expenditures were \$7,462,108 in 2020.

## SPECIAL REVENUE FUNDS

Fund Name	Fund Balance
Health Initiatives	\$ 11,098
South Skating Rink	\$ 58,763
Airport	\$ (67,443)
Library	\$ 1,146,560
DEED Loan	\$ 250,201
Sister Cities	\$ 11,482
District # 7.1 Tax	\$ 0
Inspection	\$ 185,026
Library Memorial	\$ 26,740
Lodging Tax	\$ 2,407
PERA Perpetual	\$ 9,220,056
<b>Total Fund Balances</b>	<b>\$ 10,844,890</b>

The City maintains 11 individual governmental funds deemed Special Revenue Funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, though for the purposes of the PAFR, the data from these funds are combined.

## FIDUCIARY FUNDS

The City maintains Custodial Funds to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. These funds are used to account for resources held for the benefit of parties outside the City, and these funds are not available to support the City's programs. These funds maintained a net position of \$4,864,906, indicative of the City's excellent financial management.

# PROPRIETARY FUNDS

Category	Net Position
Recycling	\$ 1,507,316
Water Utility	\$ 18,939,980
Sewer Utility	\$ 21,665,216
Solid Waste Campus	\$ 13,070,777
Ambulance	\$ (1,667,186)
Marina	\$ (215,367)
Storm Water	\$ 3,065,566
Internal Service Adj.	\$ (932,612)
<b>Total Net Position</b>	<b>\$ 55,433,690</b>

Red Wing's enterprise funds increased their net position by \$1,740,778 from January 1, 2020 through December 31, 2020. The allowance for uncollectible accounts was \$1,216,369 in 2020. Total net position is \$55,433,690.

Red Wing's internal service funds increased their net position by \$119,709 from January 1, 2020 through December 31, 2020. Total net position is \$3,783,684.

Category	Net Position
Administrative	\$ 0
Central Services	\$ 651,398
Risk Management	\$ 3,251,613
Information Services	\$ (514,284)
Benefits	\$ 2,652
Engineering	\$ 392,305
<b>Total Net Position</b>	<b>\$ 3,783,684</b>

The City's officials considered many factors when setting the budget, rates, and fees that will be charged. These factors include:

- Maintaining the current level of basic government services
- Continuing long-term infrastructure investments, allocating resources based on prioritization of City Council strategic goals
- A demonstrated history of strong property tax collections and increasing property tax valuations
- Changes to user charges to reflect current and anticipated conditions and asset renewal and replacement needs.
- In spite of the Covid-19 pandemic, Goodhue County's unemployment rate of 5.4% was significantly lower than the Minnesota rate of 6.2% and the United States rate of 8.1%.

# LONG TERM DEBT

City of Red Wing's Outstanding Debt						
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
General Obligation Bonds	\$ 30,645,000	\$ 34,885,000	\$ (4,240,000)	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	12,621,000	14,177,000	(1,556,000)
Total	<u>\$ 30,645,000</u>	<u>\$ 34,885,000</u>	<u>\$ (4,240,000)</u>	<u>\$ 12,621,000</u>	<u>\$ 14,177,000</u>	<u>\$ (1,556,000)</u>

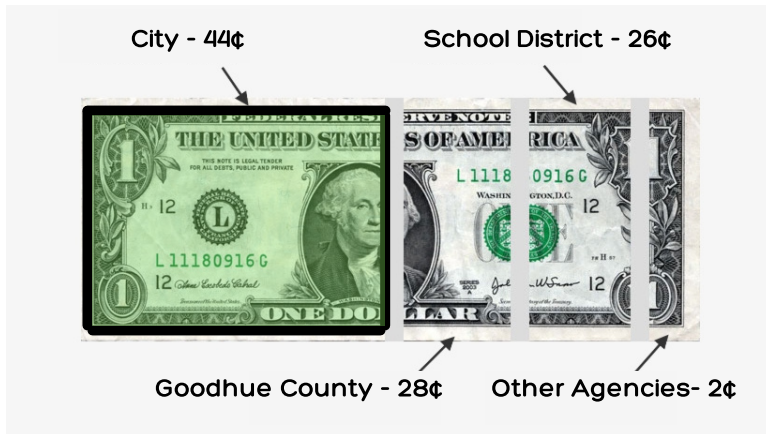
Red Wing's "Aa2" rating from Moody's Investor Service was reaffirmed in 2020; this is the third-highest possible rating a municipality can receive. A high bond rating translates into lower future borrowing costs. This rating is based on the City's:

- Strong economy, with access to a broad and diverse metropolitan statistical area.
- Proven, responsible management, with proactive financial policies and practices, in addition to a robust response to the Covid-19 pandemic..
- Strong budgetary performance and liquidity.
- Very strong debt and contingent liability position.
- Methodical institutional framework.

The City's bonded debt decreased by \$5,796,000 (-11.8%) during the current fiscal year. 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 \$65,164,197 which is significantly in excess of the City's additional outstanding general obligation debt, currently \$30,645,000.

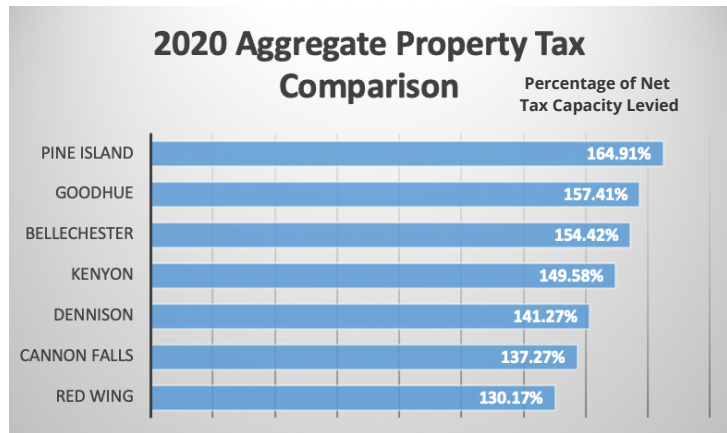


# DIVIDING UP YOUR TAX DOLLAR



Your property tax dollar is divided between several governmental entities. The City collects 44 cents of every tax dollar for City services. The remaining portions are divided among Goodhue County (28 cents), school district (26 cents), and other agencies (2 cents).

Red Wing has the lowest aggregate tax burden of the municipalities in Goodhue County. Its residents receive quality public services for an affordable price. The cost of City services in 2020 for the owner of a median valued home (\$189,403) in Red Wing is \$100.83 / month. Based on an average usage of roughly 600 cubic feet of water per month, the monthly cost of utilities for a home in Red Wing is \$115.71 in 2020, and the bill includes water, sewer, storm water, refuse, and recycling (\$35.64, \$43.63, \$11.50, \$19.24 and \$5.70 respectively).



Public Safety.....	27.50
General Government.....	7.75
Culture and Recreation.....	8.00
Public Services.....	9.08
Transfers.....	6.33
Debt Service.....	20.92
Capital Improvement.....	12.50
Other Activities.....	8.75
<b>Total.....</b>	<b>100.83</b>

Red Wing Resident

City of Red Wing

DATE: May 31, 2021

PAY TO THE ORDER OF: \$ 100.83

one-hundred & 83/100 DOLLARS

MEMO: Monthly police, fire, street maintenance, parks, etc. Homeowner

000045678000 0000 11\*0000

The checkbook shows how the monthly cost of property tax-supported services was divided among City departments. The cost of City services in 2020 for the median-valued home owner is \$100.83 per month

# OVERALL FINANCIAL CONDITION

Overall, the City's financial condition remained stable in 2020 in spite of the Covid-19 pandemic's unprecedented disruption of normal operations. The City's Governmental Activities net position was \$141,548,792, an increase of \$8,046,551; the City's Business-type Activities net position was \$55,433,690, an increase of \$1,740,778. Total Governmental Activities outstanding debt decreased by \$4,240,000; total Business-type Activities outstanding debt decreased by \$1,556,000. Cash and investments decreased by \$773,834. At year end, the general fund unassigned balance was 107% of the next year's total general fund expenditures. The City of Red Wing is poised to remain in a strong financial condition as it progresses into the post-pandemic world.

## ABOUT THIS REPORT



Red Wing reports financial year end results in the Comprehensive Annual Financial Report. The Popular Annual Financial Report (PAFR) is an unaudited report that summarizes the most significant data from the 2020 Comprehensive Annual Financial Report, and is consistent with Generally Accepted Accounting Principals. The report reflects the net tax cost by service expenditure, developed by crediting related revenues against appropriate expenditures and allocating local taxes against the remaining balance. For a complete review of the City's financial position, consult the 2020 Comprehensive Annual Financial Report available on the City's website at [www.red-wing.org](http://www.red-wing.org), or from the Administrative Business Department at 651-385-3602.



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