

CITY OF RED WING  
RED WING, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012

PREPARED BY:

FINANCE DEPARTMENT

MARSHALL HALLOCK  
Finance Director

Member GFOA of U.S. and Canada  
Published June 21, 2013

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RED WING, MINNESOTA  
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**INTRODUCTORY SECTION**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
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June 21, 2013

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, 2012.

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 Finance Division 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 Principals (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.

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The financial statements in this report have been audited by Abdo, Eick and 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, 2012 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 unqualified opinion that the City's financial statements, for the year ended December 31, 2012, 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.

The City provides the 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. In addition, solid waste disposal, recycling, water, sewer, incinerator, ambulance and marina services 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 16,459, which is a 2 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 and chief fire official. 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 Finance Department in June. These requests, along with projected revenue, are the starting point for developing the proposed budget. The Council Administrator and Finance Director present a preliminary budget to the Council prior to September 15<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 20<sup>th</sup>. 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 13,466 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 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.

Unrestricted, unassigned fund balance in the General fund is currently in excess of the general recommendation by Minnesota's Office of the State Auditor. The 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"....* With the recent national recession and volatility in State-paid local government aids to the City, 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 2012 continued to lag the 2003 - 2008 fiscal years but were consistent with the activity levels experienced in fiscal years 2010 - 2011. In 2012 the City issued 8 permits for new residential construction with a valuation of \$ 1,333,434 compared to 9 in 2011 with a valuation of \$1,539,000. The 8 residential permits issued in 2012 are down from the five-year average of 9.4 residential permits and below the five-year average valuation of \$1,611,941.

In 2012 the City issued 5 civic, institutional, commercial and industrial permits with a valuation of \$3,533,494 compared to 4 in 2011 with a valuation of \$1,708,850. The 5 civic, institutional and commercial and industrial permits issued in 2012 are above the five-year average of 4.0 civic, institutional, commercial and industrial permits. The valuation of the 5 civic, institutional and commercial permit issued in 2012 is also above the five-year average valuation of \$2,477,115.

A total of 13 residential, civic, institutional commercial and industrial permits were issued in 2012 with a combined valuation of \$4,866,928. The 13 residential, civic, institutional commercial and industrial permits issued in 2012 are down from the five-year average of 13.4 residential, civic, institutional commercial and industrial permits. The valuation of the 13 residential, civic, institutional commercial and industrial permits issued in 2012 is above the five-year average valuation of \$4,089,056.

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 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. As part of the capital improvement process the City adopted a new alternative revenue source, a storm water management fee, to assist with funding for staffing, equipping and otherwise financing the local share of projects necessary to meet Federal and State storm water mandates. To reduce the City's primary reliance on property taxes the City is currently actively pursuing alternative non-property tax revenue sources.

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. 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 \$24.0 million of street related transportation improvements are being planned over the next 5 years with approximately \$3.3 million for 2013. 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'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 2013 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.

The improvement projects at our Municipal Wastewater Treatment Facilities continued in 2012. The upgrades are necessary to meet maintenance needs and effluent discharge limits set for the facilities by the Minnesota Pollution Control Agency and to provide critical redundancies. The upgrades will assist in ensuring the effluent discharges remain in compliance with waste water discharge limits and provide critical redundancies.

Engineering and analysis and design work continued in 2012 on renewal and replacement of our Industrial Wastewater Treatment Facility. The project will result in significant process and operation changes. The project includes the reconstruction of clarifiers and the addition of dewatering processes. The improvements will reduce operating costs, increase reliability of the facility and improve effluent discharges.

Work continued in 2012 on the East 5<sup>th</sup> Street Bridge replacement project. The project will result in the replacement of the current bridge, needed safety improvements and a wider corridor to accommodate improved sight lines and a recreational trail. The project is funded in large part with \$3.0 million grant from the State.

There were other projects commenced or completed in 2012 that enhanced the quality of life, livability, beauty and recreational opportunities for our community. Improvements were made to the T.B. Sheldon Theatre, Goodhue County Historical Society and Library facilities including tuck-pointing, accessibility improvements and structural repairs. The City made improvements to the parks including the replacement of playground apparatuses, made improvements to tennis courts, trails, 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. 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 tax law over the past years have resulted in funding changes for both schools and local governments. Trends of the past decade, changes in state tax 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 and 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, 2011. This was the fourth consecutive year the City has achieved this prestigious award. 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 and 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

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## CITY OF RED WING

### CITY OFFICIALS

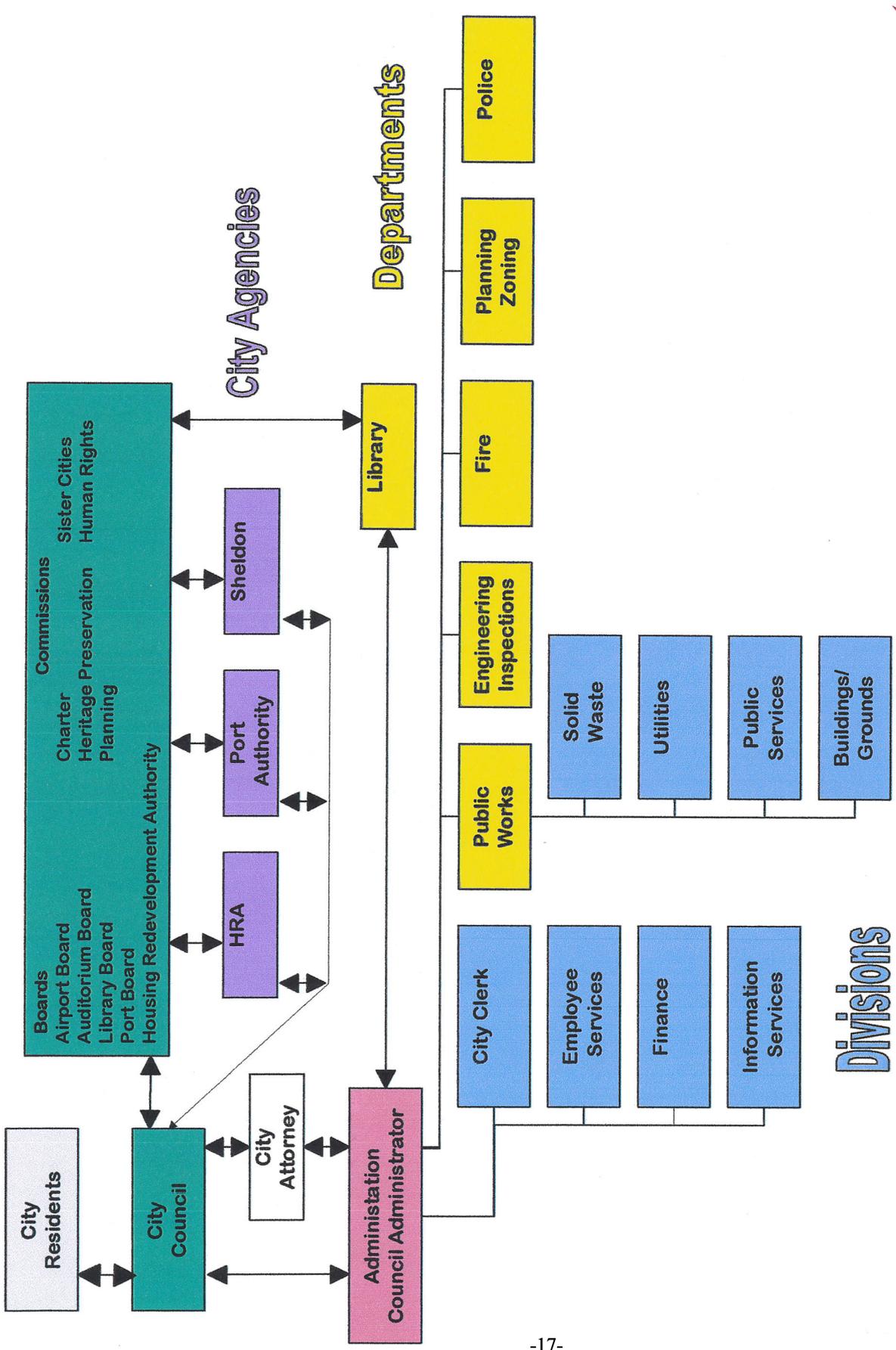


Back row: (left to right) Mayor Dennis Egan, Council Member Michael Schultz, Council Member Dean Hove, and Council President Ralph Rauterkus. Front Row: (left to right) Council Member Lisa Bayley, Council Member Dan Bender, Council Member Marilyn Meinke and Council Member Peggy Rehder.

### ADMINISTRATIVE PERSONNEL

Council Administrator	Kay Kuhlmann
City Attorney	Ratwik, Roszak & Maloney, P.A.
City Clerk	Kathy Seymour Johnson
City Planner	Brian Peterson
Employee Services Director	Roger Seymour
Finance Director	Marshall Hallock
Information Technology Director	Laura Blair

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# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morrell*

President

*Jeffrey R. Emery*

Executive Director

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**FINANCIAL SECTION**

**CITY OF RED WING  
RED WING, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## 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, 2012, 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**

The City's 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 an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated June 20, 2012, we expressed unqualified opinions on the respective proprietary fund financial statements. 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 financial statement presentation.

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

### **Opinion**

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, 2012, 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 funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Change in Accounting Standards*

As described in the Note 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 27 and the Schedule of Funding Progress on page 129 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.

### *Supplementary Information in Relation to the Financial Statements as a Whole and Schedule of Expenditures of Federal Awards*

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 and statistical sections, the accompanying combining and individual fund financial statements and schedules, the summary financial report, supplementary information and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, the summary financial report 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections and supplementary information 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 21, 2013, 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.

June 21, 2013  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

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## Management's Discussion and Analysis

As management of the City of Red Wing (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. 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 7 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$134,193,608 (net position). Of this amount, \$46,473,276 (*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 \$4,899,458, compared to an increase of \$1,595,146 in the previous year. A significant portion of this increase is attributable to operating grants, capital grants and contributions including special assessments, municipal State aids for street and other various improvements. Governmental activities accounted for 27.5 percent of the total increase while business-type activities accounted for the remaining 72.5 percent of the total increase.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$36,128,327, a decrease of \$2,729,383 in comparison with the prior year. A significant portion of the net decrease is attributable to the General Fund's one-time transfer of committed funds to the Incinerator enterprise fund, a committed economic development contribution to the Port Authority discretely presented component unit, and improvement project expenditures exceeding revenues. Approximately 31.3 percent of this total amount, \$11,301,678, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$24,826,649) is not available for new spending because it is either 1) nonspendable (\$2,306,336), 2) restricted (\$11,655,489), 3) committed (\$3,675,212), or 4) assigned (\$7,189,612) 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 \$31,391,667 compared to \$28,662,284 generated in revenues and other financing sources for governmental programs.
- The General fund reported a decrease in fund balance this year of \$1,708,741. Revenues were higher than the final budget by \$673,133 and expenditures were lower than the final budget by \$2,190,354. Also contributing to this decrease in fund balance is a one-time transfer of committed funds to the Incinerator enterprise fund and a committed economic development contribution to the Port Authority discretely presented component unit.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$11,445,368, or 79.8 percent of total General fund expenditures.
- The City's total debt decreased by \$456,472 or 1.8 percent during 2012. This was a result of principal of \$2,831,472 that was retired during the year and debt issuances of \$2,375,000.

## 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**

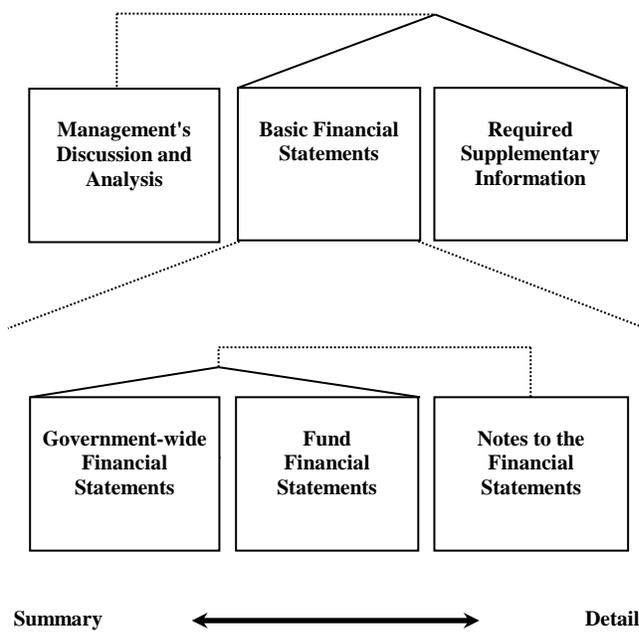


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide 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 in flow/out flow 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 liabilities with the difference between the two 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, incinerator, 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 43 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 49 individual governmental funds, five 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) and the Capital Improvement Assessment 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 50 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, incinerator, marina, and ambulance 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, risk management activities, specified equipment, and information technology 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, incinerator, 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 60 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 84 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 87 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, and the combining and individual fund financial statements and schedules which can be found starting on page 133 of this report.

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 214 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 liabilities. 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 exceeded liabilities by \$134,193,608 at the close of the most recent fiscal year. A large portion of the City's net position (55.0 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.

### Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Current and other assets	\$ 48,488,394	\$ 50,191,583	\$ (1,703,189)	\$ 17,744,302	\$ 16,402,600	\$ 1,341,702
Capital assets	43,733,480	39,014,171	4,719,309	55,420,193	54,634,222	785,971
Total assets	92,221,874	89,205,754	3,016,120	73,164,495	71,036,822	2,127,673
Long-term liabilities outstanding	7,003,025	5,782,544	1,220,481	21,148,862	22,632,711	(1,483,849)
Other liabilities	1,955,372	1,508,831	446,541	1,085,502	1,024,340	61,162
Total liabilities	8,958,397	7,291,375	1,667,022	22,234,364	23,657,051	(1,422,687)
Net position						
Net investment in capital assets	38,453,702	35,820,191	2,633,511	35,251,711	32,865,281	2,386,430
Restricted	13,650,753	15,311,936	(1,661,183)	364,166	346,104	18,062
Unrestricted	31,159,022	30,782,252	376,770	15,314,254	14,168,386	1,145,868
Total net position	\$ 83,263,477	\$ 81,914,379	\$ 1,349,098	\$ 50,930,131	\$ 47,379,771	\$ 3,550,360

Additionally, a portion of the City's net position (10.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (34.6 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.

The City's total net position increased by \$4,899,458, compared to an increase of \$1,595,146 in the previous year. A significant portion of this increase is attributable to operating grants, capital grants and contributions including special assessments, municipal State aids and Federal and State funding for park, street and other various improvements. Other significant factors contributing to this increase including the timing (delays) of planned capital acquisitions and improvement projects and expending less than budgeted in the General Fund contingency.

**Governmental activities.** Governmental activities increased the City's net position by \$1,349,098, accounting for 27.5 percent of the total increase in the City's net position. Key elements of this increase are as follows:

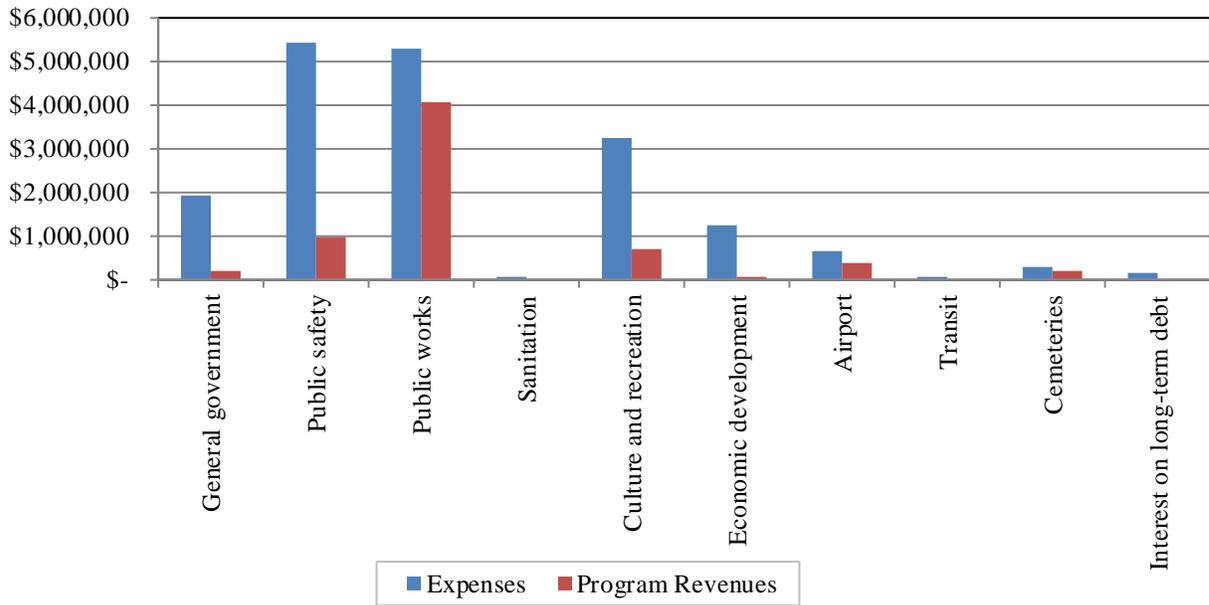
### Changes in Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,506,959	\$ 1,160,564	\$ 346,395	\$16,547,028	\$16,209,193	\$ 337,835
Operating grants and contributions	2,096,164	1,426,275	669,889	6,100	32,650	(26,550)
Capital grants and contributions	2,890,146	890,256	1,999,890	49,028	6,899	42,129
General revenues						
Property taxes	13,003,468	12,103,712	899,756	-	-	-
Other taxes	569,902	352,790	217,112	-	-	-
Grants and contributions not restricted to specific programs	1,611,696	1,561,023	50,673	-	-	-
Unrestricted investment earnings	678,948	1,281,445	(602,497)	350,178	739,540	(389,362)
Other	57,700	89,945	(32,245)	-	-	-
Gain on sale of capital assets	149,127	10,300	138,827	115,500	24,928	90,572
<b>Total revenues</b>	<b>22,564,110</b>	<b>18,876,310</b>	<b>3,687,800</b>	<b>17,067,834</b>	<b>17,013,210</b>	<b>54,624</b>
<b>Expenses</b>						
General government	1,904,155	2,120,072	(215,917)	-	-	-
Public safety	5,405,760	5,364,753	41,007	-	-	-
Public works	5,269,097	4,668,262	600,835	-	-	-
Sanitation	36,645	48,509	(11,864)	-	-	-
Culture and recreation	3,235,484	3,410,754	(175,270)	-	-	-
Economic development	1,238,660	429,599	809,061	-	-	-
Airport	645,686	642,992	2,694	-	-	-
Transit	10,269	13,869	(3,600)	-	-	-
Cemeteries	291,059	273,316	17,743	-	-	-
Interest on long-term debt	141,251	168,349	(27,098)	-	-	-
Ambulance	-	-	-	3,508,100	3,600,515	(92,415)
Refuse collection and recycling	-	-	-	1,934,248	1,810,551	123,697
Water	-	-	-	3,010,641	2,913,991	96,650
Sewer	-	-	-	3,678,557	4,121,737	(443,180)
Storm water	-	-	-	674,328	711,061	(36,733)
Incinerator	-	-	-	3,077,122	3,267,775	(190,653)
Marina	-	-	-	671,424	728,269	(56,845)
<b>Total expenses</b>	<b>18,178,066</b>	<b>17,140,475</b>	<b>1,037,591</b>	<b>16,554,420</b>	<b>17,153,899</b>	<b>(599,479)</b>
Increase (decrease) in net position before transfers	4,386,044	1,735,835	2,650,209	513,414	(140,689)	654,103
Transfers	(3,036,946)	(301,902)	(2,735,044)	3,036,946	301,902	2,735,044
Change in net position	1,349,098	1,433,933	(84,835)	3,550,360	161,213	3,389,147
Net position - January 1 as restated	81,914,379	80,480,446	1,433,933	47,379,771	47,218,558	161,213
Net position - December 31 as restated	<u>\$ 83,263,477</u>	<u>\$ 81,914,379</u>	<u>\$ 1,349,098</u>	<u>\$ 50,930,131</u>	<u>\$ 47,379,771</u>	<u>\$ 3,550,360</u>

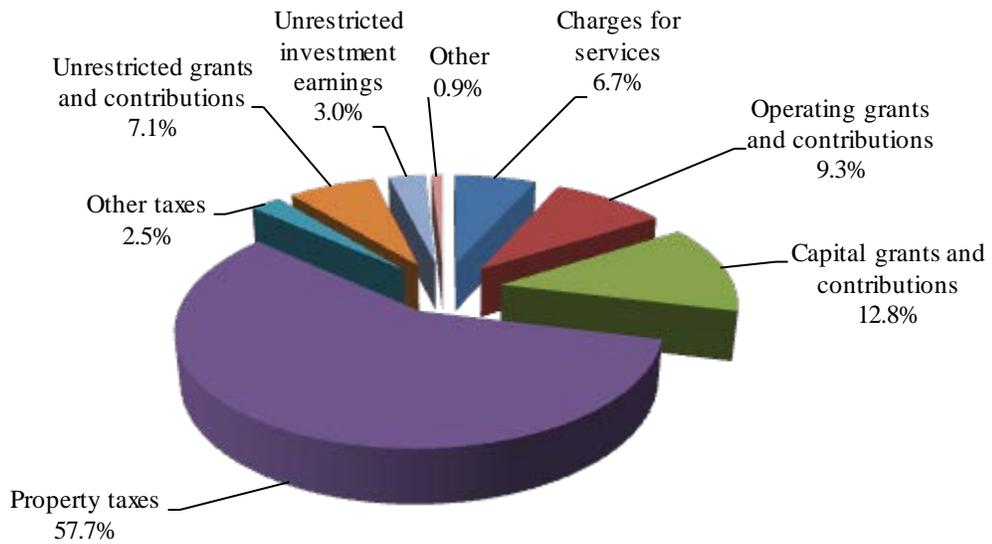
- The 2012 general levy was \$13,017,421 and the special taxing district levy was \$307,409. The 2011 general levy was \$12,717,917 and the special taxing district levy was \$307,409.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

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

### Expenses and Program Revenues - Governmental Activities



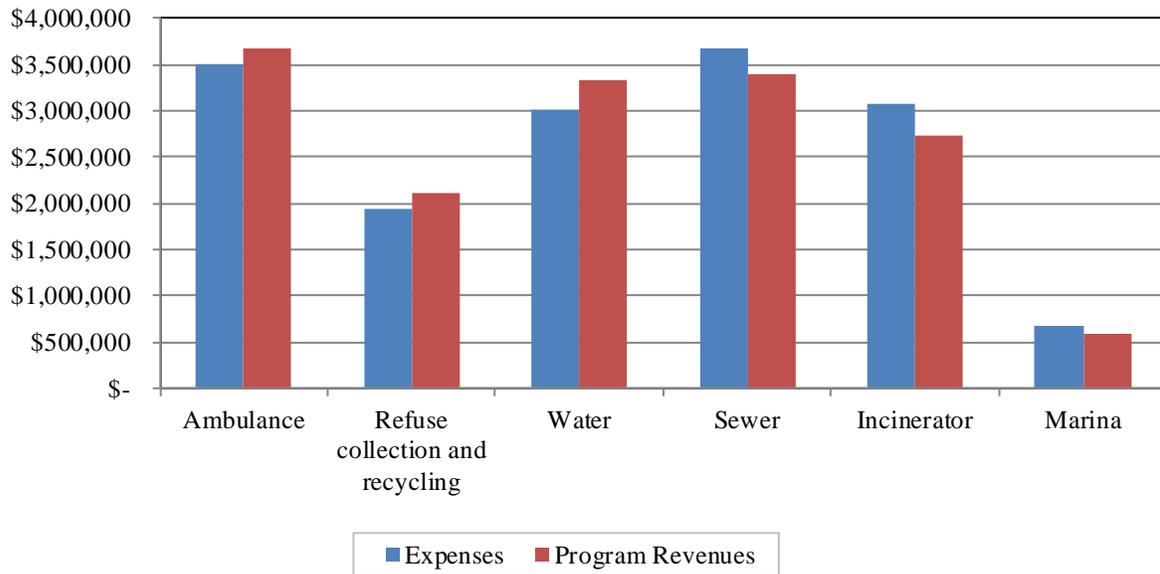
### Revenues by Source - Governmental Activities



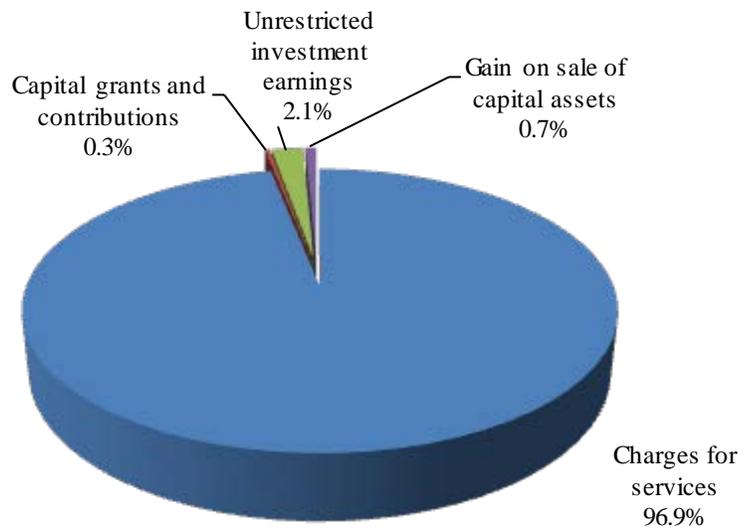
**Business-type activities.** Business-type activities increased the City’s net position by \$3,550,360, accounting for 72.5 percent of the total growth in the City’s net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$337,835 or 72.5 percent. Fee and volume increases contributed the majority of this increase.
- Transfers in from governmental activities totaled \$3,036,946.

**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 \$36,128,327, a decrease of \$2,729,383 in comparison with the prior year. A significant portion of the net decrease is attributable to the General Fund's one-time transfer of committed funds to the Incinerator enterprise fund, a committed economic development contribution to the Port Authority discretely presented component unit and improvement project expenditures exceeding revenues. Approximately 31.3 percent of this total amount, \$11,301,678, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$24,826,649) is not available for new spending because it is either 1) nonspendable (\$2,306,336), 2) restricted (\$11,655,489), 3) committed (\$3,675,212), or 4) assigned (\$7,189,612) 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 \$11,445,368, while total fund balance reached \$15,402,881. 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 79.8 percent of total General fund expenditures, while total fund balance represents 107.5 percent of that same amount.

The fund balance of the City's General fund decreased by \$1,708,741 during the current fiscal year. Key factors in this decrease are as follows:

- The decrease in fund balance is \$3,086,586 less than the budgeted decrease in fund balance of \$4,795,327. This variance results primarily from actual revenues being greater than budget by \$673,133 resulting primarily from charges for services; actual expenditures being less than budget by \$2,190,354 primarily due to delays in planned capital acquisitions and improvement projects, and expending less than the budgeted contingency; and actual other financing sources and uses resulting in a positive budget variance of \$223,099.

The *PERA Perpetual fund* has a total fund balance of \$9,127,057, 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 \$9,023. The increase is largely a result of investment earnings less transfers to the General fund.

The *Debt Service fund* has a total fund balance of \$710,110, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$257,002. The decrease is largely a result of employing currently available resources to meet debt service requirements.

The *Capital Improvement Assessment fund* has a total fund balance of \$7,023,113. The net decrease in fund balance during the current year in the Capital Improvement Assessment fund was \$162,358. The decrease is largely a result of \$188,994 in investment income, and \$551,166 in grants received coupled with transfers out of \$802,794 made to fund other capital projects in the current year.

**Proprietary funds.** Unrestricted net position of the enterprise funds at the end of the year amounted to \$14,692,127. Total increase in net position for enterprise funds was \$3,556,915. A significant portion of this increase is attributable to net transfers of \$3,036,946 from Governmental activities. 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 carried over \$784,727 of 2011 and prior year's General fund funded capital improvement plan items into the 2012 budget, made an additional \$270,628 adjustment increasing capital expenditures, made a \$700,000 adjustment increasing economic development contributions, made a \$3,200,000 adjustment increasing transfers out to the Incinerator enterprise fund, and made a \$203,200 adjustment increasing contributions and donations and other revenues and related expenditures.

### Significant budgetary variances between the final amended budget and actual results are as follows:

- Total charges for services were over budget by \$104,370.
- Total investment income was over budget by \$75,350.
- Total general government expenditures were under budget by \$183,628.
- Total public safety expenditures were under budget by \$105,435.
- Total contingencies and other expenditures were under budget by \$249,362.
- Capital outlay expenditures fell under budget by \$1,420,598.

## 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, 2012, amounts to \$99,153,673 (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 2012 and prior years with costs during the year of \$5,260,241. Of this amount \$447,180 related to ongoing improvements to the City's waste water treatment facilities in the Sewer enterprise fund and \$250,641 related to ongoing improvements to the City's water infrastructure in the Water enterprise fund. An additional \$4,562,420 related to ongoing airport projects.
- Land acquisition of \$133,089 for waste water treatment improvements in the Sewer enterprise fund.
- Building improvements and additions of \$7,479,082, of which \$6,163,106 related to the Material Recovery Facility in the Incinerator enterprise fund, \$461,293 related to library improvements, \$268,575 to fire station improvements, \$145,113 to the public works improvements, \$144,723 to T.B. Sheldon Auditorium improvements, and additional \$296,272 related to other building improvement projects.

Additional information on the City's capital assets can be found in Note 3D starting on page 102 of this report.

### Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 5,894,456	\$ 5,979,813	\$ (85,357)	\$ 214,980	\$ 81,891	\$ 133,089
Construction in progress	11,914,189	7,101,128	4,813,061	2,359,504	8,080,870	(5,721,366)
Buildings	6,380,586	5,600,790	779,796	26,939,566	21,444,462	5,495,104
Improvements	2,021,126	1,449,899	571,227	6,304,517	5,651,073	653,444
Machinery and equipment	594,638	672,786	(78,148)	607,616	656,489	(48,873)
Office equipment	209,719	268,890	(59,171)	-	-	-
Vehicles	3,121,107	2,797,138	323,969	1,999,533	1,204,074	795,459
Infrastructure	13,597,659	15,143,727	(1,546,068)	16,994,477	17,515,363	(520,886)
<b>Total</b>	<b>\$ 43,733,480</b>	<b>\$ 39,014,171</b>	<b>\$ 4,719,309</b>	<b>\$ 55,420,193</b>	<b>\$ 54,634,222</b>	<b>\$ 785,971</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,341,429. Of this amount, \$20,881,429 comprises revenue related debt backed by the full faith and credit of the City, \$4,210,000 is general obligation debt and \$250,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

### Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation bonds	\$ 4,210,000	\$ 1,835,000	\$ 2,375,000	\$ -	\$ -	\$ -
G.O. improvement bonds	250,000	1,045,000	(795,000)	-	-	-
General obligation revenue bonds	-	-	-	20,152,987	21,752,520	(1,599,533)
Revenue bonds	728,442	1,078,551	(350,109)	-	-	-
Capital leases	91,336	178,166	(86,830)	-	-	-
<b>Total</b>	<b>\$ 5,279,778</b>	<b>\$ 4,136,717</b>	<b>\$ 1,143,061</b>	<b>\$ 20,152,987</b>	<b>\$ 21,752,520</b>	<b>\$ (1,599,533)</b>

The City's total debt decreased by \$456,472, (1.8 percent) during the current fiscal year. This was a result of the City issuing \$2,375,000 in additional debt and retired principal of \$2,831,472 during the year.

The City maintains an "Aa2" rating. Such was reaffirmed by Moody's in 2012.

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 \$46,531,389, 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 2013 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.
- Impact of continued State aid volatility.
- The unemployment rate for the County is currently 5.4 percent, which is a decrease from a tare of 6.3 percent last year
- Impact of property tax growth with sluggish growth and decreased residential tax base coupled with increased utility tax base. The City's local property tax rate levy for 2013 was increased by 1.3 percent over 2012.
- History of strong property tax collections.
- Changes to user charges for proprietary funds to reflect current and anticipated conditions and asset 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 2013 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>.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF RED WING, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
<b>ASSETS</b>				
Cash and investments	\$ 39,484,495	\$ 14,226,380	\$ 53,710,875	\$ 1,088,475
Assets held in endowment	453,471	-	453,471	-
Receivables				
Accrued interest	136,911	43,279	180,190	2,380
Taxes	273,905	-	273,905	6,140
Accounts - net of allowance for doubtful accounts of \$241,496	220,832	2,546,574	2,767,406	-
Loans	293,219	-	293,219	1,221,302
Special assessments	3,834,825	-	3,834,825	-
Intergovernmental	1,812,404	7,598	1,820,002	2,814
Loans to other governments	84,352	-	84,352	-
Internal balances	(622,127)	622,127	-	-
Due from component unit	2,468,406	-	2,468,406	-
Inventories	46,077	264,722	310,799	-
Prepaid items	1,624	33,622	35,246	-
Land held for resale	-	-	-	2,818,705
Capital assets				
Nondepreciable	17,808,645	2,574,484	20,383,129	265,042
Depreciable, net of accumulated depreciation	25,924,835	52,845,709	78,770,544	-
<b>TOTAL ASSETS</b>	<b>92,221,874</b>	<b>73,164,495</b>	<b>165,386,369</b>	<b>5,404,858</b>
<b>LIABILITIES</b>				
Accounts payable	1,424,159	580,105	2,004,264	10,135
Escrow accounts payable	60,576	-	60,576	-
Due to primary government	-	-	-	2,468,406
Due to other governments	2,589	59,759	62,348	509,506
Accrued interest payable	31,635	226,513	258,148	-
Salaries payable	402,299	218,107	620,406	10,930
Unearned revenue	34,114	1,018	35,132	-
Noncurrent liabilities				
Due within one year	1,143,833	1,890,122	3,033,955	3,265
Due in more than one year	5,859,192	19,258,740	25,117,932	38,875
<b>TOTAL LIABILITIES</b>	<b>8,958,397</b>	<b>22,234,364</b>	<b>31,192,761</b>	<b>3,041,117</b>
<b>NET POSITION</b>				
Net investment in capital assets	38,453,702	35,251,711	73,705,413	265,042
Restricted for				
Permanently restricted for				
Library endowments	453,471	-	453,471	-
Cemetery perpetual	1,561,877	-	1,561,877	-
Temporarily restricted for				
Debt service	678,475	-	678,475	-
Police and fire activities	9,183,698	-	9,183,698	-
DNR snowmobile grant	14,345	-	14,345	-
Future loans	524,363	-	524,363	-
Sister cities activities	10,285	-	10,285	-
Tax increment activities	13,670	-	13,670	-
Library activities	19,986	-	19,986	-
Capital projects	538,194	-	538,194	-
Cemetery operations	652,389	-	652,389	-
Ash landfill	-	364,166	364,166	-
Unrestricted	31,159,022	15,314,254	46,473,276	2,098,699
<b>TOTAL NET POSITION</b>	<b>\$ 83,263,477</b>	<b>\$ 50,930,131</b>	<b>\$ 134,193,608</b>	<b>\$ 2,363,741</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
General government	\$ 1,904,155	\$ 188,538	\$ -	\$ -
Public safety	5,405,760	412,246	571,737	420
Public works	5,269,097	92,462	1,349,472	2,636,500
Sanitation	36,645	-	-	-
Culture and recreation	3,235,484	557,299	121,383	-
Economic development	1,238,660	1,166	-	-
Airport	645,686	82,923	53,572	253,226
Transit	10,269	-	-	-
Cemeteries	291,059	172,325	-	-
Interest on long-term debt	141,251	-	-	-
Total governmental activities	<u>18,178,066</u>	<u>1,506,959</u>	<u>2,096,164</u>	<u>2,890,146</u>
Business-type activities				
Ambulance	3,508,100	3,661,669	6,100	-
Refuse collection and recycling	1,934,248	2,117,154	-	-
Water	3,010,641	3,338,912	-	488
Sewer	3,678,557	3,387,202	-	5,523
Storm water	674,328	723,152	-	43,017
Incinerator	3,077,122	2,734,200	-	-
Marina	671,424	584,739	-	-
Total business-type activities	<u>16,554,420</u>	<u>16,547,028</u>	<u>6,100</u>	<u>49,028</u>
Totals primary government	<u>\$ 34,732,486</u>	<u>\$ 18,053,987</u>	<u>\$ 2,102,264</u>	<u>\$ 2,939,174</u>
<b>Component unit</b>				
Port authority	<u>\$ 764,753</u>	<u>\$ 242,507</u>	<u>\$ 969,609</u>	<u>\$ -</u>

General revenues

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

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1 as restated

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
\$ (1,715,617)		\$ (1,715,617)	
(4,421,357)		(4,421,357)	
(1,190,663)		(1,190,663)	
(36,645)		(36,645)	
(2,556,802)		(2,556,802)	
(1,237,494)		(1,237,494)	
(255,965)		(255,965)	
(10,269)		(10,269)	
(118,734)		(118,734)	
(141,251)		(141,251)	
<u>(11,684,797)</u>		<u>(11,684,797)</u>	
	\$ 159,669	159,669	
	182,906	182,906	
	328,759	328,759	
	(285,832)	(285,832)	
	91,841	91,841	
	(342,922)	(342,922)	
	<u>(86,685)</u>	<u>(86,685)</u>	
	47,736	47,736	
<u>(11,684,797)</u>	<u>47,736</u>	<u>(11,637,061)</u>	
			<u>\$ 447,363</u>
13,003,517	-	13,003,517	-
-	-	-	306,783
(49)	-	(49)	-
182,081	-	182,081	-
357,416	-	357,416	-
30,405	-	30,405	693
1,611,696	-	1,611,696	60
678,948	350,178	1,029,126	10,718
57,700	-	57,700	-
149,127	115,500	264,627	-
<u>(3,036,946)</u>	<u>3,036,946</u>	<u>-</u>	<u>-</u>
<u>13,033,895</u>	<u>3,502,624</u>	<u>16,536,519</u>	<u>318,254</u>
1,349,098	3,550,360	4,899,458	765,617
<u>81,914,379</u>	<u>47,379,771</u>	<u>129,294,150</u>	<u>1,598,124</u>
<u>\$ 83,263,477</u>	<u>\$ 50,930,131</u>	<u>\$ 134,193,608</u>	<u>\$ 2,363,741</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF RED WING, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	PERA Perpetual	Debt Service
<b>ASSETS</b>			
Cash and investments	\$ 13,502,863	\$ 9,664,251	\$ 710,110
Assets held in endowment	-	-	-
Receivables			
Accrued interest	56,904	40,564	-
Delinquent taxes	262,354	-	-
Accounts (net of allowance)	115,661	-	-
Loans (net)	-	-	-
Special assessments	-	-	-
Intergovernmental	127,128	-	-
Loans to other governments	40,000	-	-
Due from other funds	1,156,114	-	-
Due from component unit	927,608	-	-
Loans to component unit	249,632	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 16,438,264</u></b>	<b><u>\$ 9,704,815</u></b>	<b><u>\$ 710,110</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 489,029	\$ -	\$ -
Escrow accounts payable	24,975	-	-
Contracts payable	-	-	-
Due to other funds	-	577,758	-
Due to other governments	2,401	-	-
Salaries payable	186,940	-	-
Deposits payable	35,601	-	-
Unearned revenue	34,083	-	-
<b>TOTAL LIABILITIES</b>	<b><u>773,029</u></b>	<b><u>577,758</u></b>	<b><u>-</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	262,354	-	-
Unavailable revenue - special assessments	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>262,354</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>			
Nonspendable	289,632	-	-
Restricted	467,881	9,127,057	710,110
Committed	3,200,000	-	-
Assigned	-	-	-
Unassigned	11,445,368	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>15,402,881</u></b>	<b><u>9,127,057</u></b>	<b><u>710,110</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 16,438,264</u></b>	<b><u>\$ 9,704,815</u></b>	<b><u>\$ 710,110</u></b>

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

Capital Improvement Assessment	Other Governmental Funds	Total Governmental Funds
\$ 4,448,538	\$ 3,621,315	\$ 31,947,077
-	453,471	453,471
19,445	7,839	124,752
-	11,551	273,905
-	90,818	206,479
-	265,284	265,284
3,834,825	-	3,834,825
1,194,349	490,927	1,812,404
44,352	-	84,352
-	-	1,156,114
-	-	927,608
1,316,429	-	1,566,061
-	1,356	1,356
<u>\$ 10,857,938</u>	<u>\$ 4,942,561</u>	<u>\$ 42,653,688</u>
\$ -	\$ 358,055	\$ 847,084
-	-	24,975
-	93,547	93,547
-	578,356	1,156,114
-	188	2,589
-	35,698	222,638
-	-	35,601
-	-	34,083
-	1,065,844	2,416,631
-	11,551	273,905
3,834,825	-	3,834,825
<u>3,834,825</u>	<u>11,551</u>	<u>4,108,730</u>
-	2,016,704	2,306,336
-	1,350,441	11,655,489
-	475,212	3,675,212
7,023,113	166,499	7,189,612
-	(143,690)	11,301,678
<u>7,023,113</u>	<u>3,865,166</u>	<u>36,128,327</u>
<u>\$ 10,857,938</u>	<u>\$ 4,942,561</u>	<u>\$ 42,653,688</u>

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CITY OF RED WING, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 36,128,327
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	43,593,042
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	(5,188,442)
Capital leases payable	(91,336)
Other postemployment benefits obligation	(339,532)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	273,905
Special assessments receivable	3,834,825
Governmental funds do not report a liability for accrued interest until due and payable.	(31,635)
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>5,084,323</u>
Total net position - governmental activities	<u><u>\$ 83,263,477</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, 2012

	General	PERA Perpetual	Debt Service
<b>REVENUES</b>			
Taxes	\$ 13,412,988	\$ -	\$ 5
Special assessments	28,655	-	614,157
Licenses and permits	60,253	-	-
Intergovernmental	2,032,055	-	-
Charges for services	614,194	-	-
Fines and forfeits	86,136	-	-
Investment income	235,350	188,994	850
Interest on notes and loans	14,323	-	-
Miscellaneous	317,300	-	376,741
<b>TOTAL REVENUES</b>	<b>16,801,254</b>	<b>188,994</b>	<b>991,753</b>
<b>EXPENDITURES</b>			
Current			
General government	1,637,430	-	-
Public safety	4,982,345	-	-
Public works	2,299,457	-	-
Sanitation	36,804	-	-
Culture and recreation	1,811,197	-	-
Economic development	995,835	-	-
Airport	-	-	-
Cemeteries	277,906	-	-
Transit	-	-	-
Unallocated	140,355	-	-
Capital outlay			
General government	108,447	-	-
Public safety	385,829	-	-
Public works	640,541	-	-
Culture and recreation	612,035	-	-
Airport	-	-	-
Cemeteries	310,653	-	-
Transit	-	-	-
Debt service			
Principal retirement	86,829	-	1,145,110
Interest and fiscal charges	9,247	-	106,495
Bond issuance costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>14,334,910</b>	<b>-</b>	<b>1,251,605</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,466,344</b>	<b>188,994</b>	<b>(259,852)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	74,767	-	-
Transfers in	332,471	-	486,572
Bonds issued	1,276,467	-	2,850
Transfers out	(5,858,790)	(179,971)	(486,572)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,175,085)</b>	<b>(179,971)</b>	<b>2,850</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,708,741)</b>	<b>9,023</b>	<b>(257,002)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>17,111,622</b>	<b>9,118,034</b>	<b>967,112</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 15,402,881</b>	<b>\$ 9,127,057</b>	<b>\$ 710,110</b>

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

Capital Improvement Assessment	Other Governmental Funds	Totals
\$ -	\$ 182,081	\$ 13,595,074
540,895	-	1,183,707
-	147,085	207,338
551,166	2,293,557	4,876,778
-	43,730	657,924
-	9,668	95,804
76,888	73,800	575,882
21,655	-	35,978
304	278,821	973,166
<u>1,190,908</u>	<u>3,028,742</u>	<u>22,201,651</u>
-	-	1,637,430
-	237,917	5,220,262
820,226	114,994	3,234,677
-	-	36,804
-	925,076	2,736,273
-	242,825	1,238,660
-	219,222	219,222
-	-	277,906
-	269	269
-	-	140,355
-	-	108,447
-	-	385,829
-	4,746,930	5,387,471
-	461,293	1,073,328
-	310,471	310,471
-	-	310,653
-	10,000	10,000
-	-	1,231,939
-	-	115,742
-	19,081	19,081
<u>820,226</u>	<u>7,288,078</u>	<u>23,694,819</u>
<u>370,682</u>	<u>(4,259,336)</u>	<u>(1,493,168)</u>
-	74,360	149,127
269,754	2,847,709	3,936,506
-	1,095,683	2,375,000
(802,794)	(368,721)	(7,696,848)
<u>(533,040)</u>	<u>3,649,031</u>	<u>(1,236,215)</u>
(162,358)	(610,305)	(2,729,383)
<u>7,185,471</u>	<u>4,475,471</u>	<u>38,857,710</u>
<u>\$ 7,023,113</u>	<u>\$ 3,865,166</u>	<u>\$ 36,128,327</u>

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CITY OF RED WING, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - governmental funds \$ (2,729,383)

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

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	7,578,290
Depreciation expense	(2,756,956)

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	(97,982)
--	----------

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	1,231,939
Bond proceeds	(2,375,000)

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.

(6,428)

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	(21,704)
Special assessments	167,222

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	(53,400)
------------------------------------	----------

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.

412,500

Change in net position - governmental activities

\$ 1,349,098

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,268,171	\$ 13,268,171	\$ 13,412,988	\$ 144,817
Special assessments	-	-	28,655	28,655
Licenses and permits	51,110	51,110	60,253	9,143
Intergovernmental	1,914,385	1,927,685	2,032,055	104,370
Charges for services	337,650	352,455	614,194	261,739
Fines and forfeits	84,700	84,700	86,136	1,436
Investment income	160,000	160,000	235,350	75,350
Interest on notes and loans	-	-	14,323	14,323
Rents and leases	55,800	55,800	51,246	(4,554)
Gifts and contributions	25,000	221,000	207,443	(13,557)
Miscellaneous	-	7,200	58,611	51,411
<b>TOTAL REVENUES</b>	<b>15,896,816</b>	<b>16,128,121</b>	<b>16,801,254</b>	<b>673,133</b>
<b>EXPENDITURES</b>				
Current				
General government	1,826,008	1,821,058	1,637,430	183,628
Public safety	5,099,753	5,132,780	4,982,345	150,435
Public works	2,428,606	2,429,440	2,299,457	129,983
Sanitation	57,358	57,358	36,804	20,554
Culture and recreation	1,804,436	1,820,269	1,811,197	9,072
Economic development	311,236	1,016,236	995,835	20,401
Cemeteries	284,303	284,303	277,906	6,397
Contingencies and other	487,225	389,717	140,355	249,362
Capital outlay				
General government	407,200	490,223	108,447	381,776
Public safety	433,848	649,547	385,829	263,718
Public works	573,700	945,251	640,541	304,710
Culture and recreation	710,000	1,080,498	612,035	468,463
Cemeteries	298,000	312,584	310,653	1,931
Debt service				
Principal retirement	50,000	50,000	86,829	(36,829)
Interest and fiscal charges	46,000	46,000	9,247	36,753
<b>TOTAL EXPENDITURES</b>	<b>14,817,673</b>	<b>16,525,264</b>	<b>14,334,910</b>	<b>2,190,354</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,079,143</b>	<b>(397,143)</b>	<b>2,466,344</b>	<b>2,863,487</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	74,767	74,767
Transfers in	370,000	372,500	332,471	(40,029)
Bonds issued	1,490,423	1,275,613	1,276,467	854
Transfers out	(3,089,566)	(6,046,297)	(5,858,790)	187,507
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,229,143)</b>	<b>(4,398,184)</b>	<b>(4,175,085)</b>	<b>223,099</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(150,000)</b>	<b>(4,795,327)</b>	<b>(1,708,741)</b>	<b>3,086,586</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>17,111,622</b>	<b>17,111,622</b>	<b>17,111,622</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 16,961,622</b>	<b>\$ 12,316,295</b>	<b>\$ 15,402,881</b>	<b>\$ 3,086,586</b>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 220,000	\$ 220,000	\$ 188,994	\$ (31,006)
OTHER FINANCING USES				
Transfers out	(220,000)	(220,000)	(179,971)	40,029
NET CHANGE IN FUND BALANCES	-	-	9,023	9,023
FUND BALANCES, JANUARY 1	9,118,034	9,118,034	9,118,034	-
FUND BALANCES, DECEMBER 31	<u>\$ 9,118,034</u>	<u>\$ 9,118,034</u>	<u>\$ 9,127,057</u>	<u>\$ 9,023</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, 2012 AND 2011

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/313/319/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2012	2011	2012	2011
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 1,117,570	\$ 1,030,961	\$ 4,039,429	\$ 4,630,372
Receivables				
Accrued interest	3,764	5,035	7,546	5,806
Accounts - net of allowance for doubtful accounts of \$231,496 and \$227,380, respectively	363,180	337,086	492,704	448,872
Loans	-	-	-	-
Special assessments				
Current	-	-	-	5,921
Delinquent	-	-	-	1,978
Intergovernmental	-	-	4,380	-
Inventories	-	-	201,697	208,068
Prepaid items	30	21	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,484,544</b>	<b>1,373,103</b>	<b>4,745,756</b>	<b>5,301,017</b>
<b>NONCURRENT ASSETS</b>				
Special assessments receivable - noncurrent	-	-	-	25,874
Capital assets at cost				
Land	-	-	37,791	37,791
Construction in progress	-	-	128,847	128,847
Buildings	-	-	15,799,972	15,799,972
Improvements other than buildings	49,428	-	3,921,396	3,464,720
Machinery and equipment	193,494	193,494	303,987	303,987
Office equipment	-	-	10,567	10,567
Vehicles	1,482,817	1,280,814	625,602	536,848
Infrastructure	-	-	11,471,420	11,471,420
Less accumulated depreciation	(1,117,013)	(987,829)	(8,945,620)	(8,333,622)
Total capital assets	608,726	486,479	23,353,962	23,420,530
<b>TOTAL NONCURRENT ASSETS</b>	<b>608,726</b>	<b>486,479</b>	<b>23,353,962</b>	<b>23,446,404</b>
<b>TOTAL ASSETS</b>	<b>2,093,270</b>	<b>1,859,582</b>	<b>28,099,718</b>	<b>28,747,421</b>

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>603/307/403/418</b>		<b>605/303</b>		<b>610</b>	
<b>322/323/402/490/492</b>							
Sewer Utility		Incinerator		Marina		Ambulance	
2012	2011	2012	(Restated) 2011	2012	(Restated) 2011	2012	2011
\$ 7,850,918	\$ 9,539,522	\$ 667,738	\$ -	\$ 143,566	\$ 180,493	\$ 290,952	\$ 371,329
29,275	22,379	2,250	-	-	-	-	-
496,694	456,707	351,793	306,872	-	-	714,970	544,137
-	-	-	-	-	-	-	-
-	22,383	-	-	-	-	-	-
-	6,363	-	-	-	-	-	-
3,218	-	-	-	-	-	-	-
37,694	36,759	-	-	25,331	15,592	-	-
7,349	13,128	-	-	26,243	27,774	-	-
<u>8,425,148</u>	<u>10,097,241</u>	<u>1,021,781</u>	<u>306,872</u>	<u>195,140</u>	<u>223,859</u>	<u>1,005,922</u>	<u>915,466</u>
-	166,704	-	-	-	-	-	-
134,839	1,750	42,350	42,350	-	-	-	-
2,225,789	1,779,049	4,868	6,172,974	-	-	-	-
11,429,214	11,429,214	6,968,441	805,335	-	-	-	-
2,623,831	2,216,541	6,327,595	6,259,902	2,210,101	2,185,501	-	-
2,067,411	2,067,411	179,158	179,158	-	-	59,351	36,237
-	-	2,599	2,599	-	-	-	-
1,419,257	1,117,428	254,918	215,368	38,525	38,525	630,653	556,005
15,084,945	15,084,945	-	-	-	-	-	-
<u>(14,146,614)</u>	<u>(13,665,357)</u>	<u>(4,326,668)</u>	<u>(3,990,301)</u>	<u>(1,595,871)</u>	<u>(1,443,715)</u>	<u>(345,433)</u>	<u>(363,706)</u>
<u>20,838,672</u>	<u>20,030,981</u>	<u>9,453,261</u>	<u>9,687,385</u>	<u>652,755</u>	<u>780,311</u>	<u>344,571</u>	<u>228,536</u>
<u>20,838,672</u>	<u>20,197,685</u>	<u>9,453,261</u>	<u>9,687,385</u>	<u>652,755</u>	<u>780,311</u>	<u>344,571</u>	<u>228,536</u>
<u>29,263,820</u>	<u>30,294,926</u>	<u>10,475,042</u>	<u>9,994,257</u>	<u>847,895</u>	<u>1,004,170</u>	<u>1,350,493</u>	<u>1,144,002</u>

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CITY OF RED WING, MINNESOTA  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS - CONTINUED  
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	652				
	Storm Water		Totals		
	2012	2011	2012	(Restated) 2011	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and investments	\$ 116,207	\$ 156,964	\$ 14,226,380	\$ 15,909,641	\$ 7,537,418
Receivables					
Accrued interest	444	-	43,279	33,220	12,159
Accounts - net of allowance for doubtful accounts of \$231,496 and \$227,380, respectively	127,233	96,223	2,546,574	2,189,897	14,353
Loans	-	-	-	-	27,935
Special assessments					
Current	-	-	-	28,304	-
Delinquent	-	-	-	8,341	-
Intergovernmental	-	-	7,598	-	-
Inventories	-	-	264,722	260,419	46,077
Prepaid items	-	-	33,622	40,923	268
<b>TOTAL CURRENT ASSETS</b>	<b>243,884</b>	<b>253,187</b>	<b>17,122,175</b>	<b>18,470,745</b>	<b>7,638,210</b>
<b>NONCURRENT ASSETS</b>					
Special assessments receivable - noncurrent	-	-	-	192,578	-
Capital assets at cost					
Land	-	-	214,980	81,891	-
Construction in progress	-	-	2,359,504	8,080,870	-
Buildings	-	-	34,197,627	28,034,521	7,825
Improvements other than buildings	-	-	15,132,351	14,126,664	-
Machinery and equipment	-	-	2,803,401	2,780,287	36,221
Office equipment	-	-	13,166	13,166	183,592
Vehicles	182,586	-	4,634,358	3,744,988	446,708
Infrastructure	-	-	26,556,365	26,556,365	-
Less accumulated depreciation	(14,340)	-	(30,491,559)	(28,784,530)	(533,908)
Total capital assets	168,246	-	55,420,193	54,634,222	140,438
<b>TOTAL NONCURRENT ASSETS</b>	<b>168,246</b>	<b>-</b>	<b>55,420,193</b>	<b>54,826,800</b>	<b>140,438</b>
<b>TOTAL ASSETS</b>	<b>412,130</b>	<b>253,187</b>	<b>72,542,368</b>	<b>73,297,545</b>	<b>7,778,648</b>

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, 2012 AND 2011

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/313/319/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2012	2011	2012	2011
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 30,431	\$ 16,710	\$ 104,311	\$ 74,924
Contracts payable	-	-	20,987	20,987
Due to other funds	-	-	-	-
Due to other governments	11,550	10,918	47,185	45,210
Interest payable	-	-	99,855	108,594
Salaries payable	35,099	27,655	39,990	34,270
Compensated absences payable - current portion	28,778	24,509	63,130	52,232
Unearned revenue	-	-	-	-
G.O. revenue bonds payable - current portion	-	-	772,000	811,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>105,858</b>	<b>79,792</b>	<b>1,147,458</b>	<b>1,147,217</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences payable	45,370	40,048	96,707	93,730
Other postemployment benefits obligation	43,082	33,629	54,236	41,923
G.O. revenue bonds payable	-	-	9,029,000	9,801,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>88,452</b>	<b>73,677</b>	<b>9,179,943</b>	<b>9,936,653</b>
<b>TOTAL LIABILITIES</b>	<b>194,310</b>	<b>153,469</b>	<b>10,327,401</b>	<b>11,083,870</b>
<b>NET POSITION</b>				
Net investment in capital assets	608,726	486,479	13,552,962	12,808,530
Restricted for ash landfill	-	-	-	-
Unrestricted	1,290,234	1,219,634	4,219,355	4,855,021
<b>TOTAL NET POSITION</b>	<b>\$ 1,898,960</b>	<b>\$ 1,706,113</b>	<b>\$ 17,772,317</b>	<b>\$ 17,663,551</b>

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>603/307/403/418</b>		<b>605/303</b>		<b>610</b>	
<b>322/323/402/490/492</b>		<b>Incinerator</b>		<b>Marina</b>		<b>Ambulance</b>	
Sewer Utility							
2012	2011	2012	(Restated) 2011	2012	(Restated) 2011	2012	2011
\$ 201,624	\$ 164,306	\$ 115,284	\$ 116,802	\$ 28,949	\$ 11,087	\$ 17,731	\$ 9,710
22,359	8,434	-	5,000	-	-	-	-
-	-	-	2,889,405	-	-	-	-
-	-	1,024	944	-	-	-	-
59,033	64,977	64,321	66,352	3,304	3,403	-	-
45,480	63,973	40,099	44,545	3,371	2,991	48,213	40,847
83,774	76,512	41,181	34,998	6,864	4,248	69,680	62,034
-	-	-	-	1,018	818	-	-
570,301	553,532	155,000	150,000	90,000	85,000	-	-
<u>982,571</u>	<u>931,734</u>	<u>416,909</u>	<u>3,308,046</u>	<u>133,506</u>	<u>107,547</u>	<u>135,624</u>	<u>112,591</u>
103,451	117,975	56,184	51,710	1,078	4,955	85,129	65,998
68,233	54,048	52,731	42,816	2,771	2,181	55,838	44,134
5,251,686	5,821,988	3,555,495	3,711,421	745,000	835,000	-	-
<u>5,423,370</u>	<u>5,994,011</u>	<u>3,664,410</u>	<u>3,805,947</u>	<u>748,849</u>	<u>842,136</u>	<u>140,967</u>	<u>110,132</u>
<u>6,405,941</u>	<u>6,925,745</u>	<u>4,081,319</u>	<u>7,113,993</u>	<u>882,355</u>	<u>949,683</u>	<u>276,591</u>	<u>222,723</u>
15,016,685	13,655,461	5,742,766	5,825,964	(182,245)	(139,689)	344,571	228,536
-	-	364,166	346,104	-	-	-	-
7,841,194	9,713,720	286,791	(3,291,804)	147,785	194,176	729,331	692,743
<u>\$ 22,857,879</u>	<u>\$ 23,369,181</u>	<u>\$ 6,393,723</u>	<u>\$ 2,880,264</u>	<u>\$ (34,460)</u>	<u>\$ 54,487</u>	<u>\$ 1,073,902</u>	<u>\$ 921,279</u>

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CITY OF RED WING, MINNESOTA  
 STATEMENTS OF NET POSITION  
 PROPRIETARY FUNDS - CONTINUED  
 DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	652		Totals		
	Storm Water		(Restated)		
	2012	2011	2012	2011	
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 38,429	\$ 76,296	\$ 536,759	\$ 469,835	\$ 483,528
Contracts payable	-	-	43,346	34,421	-
Due to other funds	-	-	-	2,889,405	-
Due to other governments	-	-	59,759	57,072	-
Interest payable	-	-	226,513	243,326	-
Salaries payable	5,855	4,587	218,107	218,868	179,661
Compensated absences payable - current portion	9,415	5,307	302,822	259,840	642,497
Unearned revenue	-	-	1,018	818	31
G.O. revenue bonds payable - current portion	-	-	1,587,301	1,599,532	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>53,699</b>	<b>86,190</b>	<b>2,975,625</b>	<b>5,773,117</b>	<b>1,305,717</b>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences payable	9,845	9,733	397,764	384,149	741,218
Other postemployment benefits obligation	2,903	1,050	279,794	219,781	-
G.O. revenue bonds payable	-	-	18,581,181	20,169,409	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>12,748</b>	<b>10,783</b>	<b>19,258,739</b>	<b>20,773,339</b>	<b>741,218</b>
<b>TOTAL LIABILITIES</b>	<b>66,447</b>	<b>96,973</b>	<b>22,234,364</b>	<b>26,546,456</b>	<b>2,046,935</b>
<b>NET POSITION</b>					
Net investment in capital assets	168,246	-	35,251,711	32,865,281	140,438
Restricted for ash landfill	-	-	364,166	346,104	-
Unrestricted	177,437	156,214	14,692,127	13,539,704	5,591,275
<b>TOTAL NET POSITION</b>	<b>\$ 345,683</b>	<b>\$ 156,214</b>	<b>50,308,004</b>	<b>46,751,089</b>	<b>\$ 5,731,713</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			622,127	628,682	
Net position of business-type activities			<u>\$ 50,930,131</u>	<u>\$ 47,379,771</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, 2012 AND 2011

	Business-type Activities-Enterprise Funds			
	600		601/651/313/319/494	
	Refuse Collection & Recycling		Water Utility	
	2012	2011	2012	2011
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,103,615	\$ 1,984,599	\$ 3,142,800	\$ 3,019,543
Sales	-	-	-	-
Cost of goods sold	-	-	-	-
Miscellaneous	13,539	29,933	80,799	65,565
<b>TOTAL OPERATING REVENUES</b>	<b>2,117,154</b>	<b>2,014,532</b>	<b>3,223,599</b>	<b>3,085,108</b>
<b>OPERATING EXPENSES</b>				
Personal services	573,385	521,980	677,263	655,371
Employee benefits	227,146	218,123	278,205	289,537
Supplies	219,502	193,434	398,340	241,369
Cost of goods sold	-	-	-	-
Professional services	68,034	173,524	287,422	344,177
Rent and leased equipment	-	-	21,253	18,649
Repairs and maintenance	136,573	100,595	126,642	164,679
Administration and fiscal charges	580,876	521,543	265,057	277,938
Insurance premiums	16,345	17,723	30,840	36,701
Insurance claims	-	-	-	-
Depreciation	129,184	101,733	611,998	591,986
Miscellaneous	434	413	6,847	838
<b>TOTAL OPERATING EXPENSES</b>	<b>1,951,479</b>	<b>1,849,068</b>	<b>2,703,867</b>	<b>2,621,245</b>
<b>OPERATING INCOME (LOSS)</b>	<b>165,675</b>	<b>165,464</b>	<b>519,732</b>	<b>463,863</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Special assessments	-	-	488	536
Intergovernmental				
Federal grant	-	-	-	-
State grant	-	-	-	-
Investment income	9,672	21,334	210,118	373,065
Rents and leases	-	-	88,429	85,234
Contributions and donations	-	-	-	-
Refunds and reimbursements	-	-	3,176	937
Miscellaneous	-	-	26,360	4,246
Gain (loss) on sale of capital assets	17,500	13,200	-	-
Interest and fiscal charges	-	-	(290,027)	(313,862)
Amortization expense	-	-	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>27,172</b>	<b>34,534</b>	<b>38,544</b>	<b>150,156</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>192,847</b>	<b>199,998</b>	<b>558,276</b>	<b>614,019</b>

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>603/307/403/418</b>		<b>605/303</b>		<b>610</b>	
<b>322/323/402/490/492</b>		<b>Incinerator</b>		<b>Marina</b>		<b>Ambulance</b>	
Sewer Utility							
2012	2011	2012	(Restated) 2011	2012	(Restated) 2011	2012	2011
\$ 3,255,893	\$ 3,249,615	\$ 2,687,895	\$ 2,643,093	\$ 455,757	\$ 516,081	\$ 3,646,727	\$ 3,675,404
-	-	-	-	127,975	126,967	-	-
-	-	-	-	(115,474)	(106,567)	-	-
43,253	46,520	-	-	-	-	-	-
<u>3,299,146</u>	<u>3,296,135</u>	<u>2,687,895</u>	<u>2,643,093</u>	<u>468,258</u>	<u>536,481</u>	<u>3,646,727</u>	<u>3,675,404</u>
768,883	875,622	658,940	712,521	102,642	115,391	870,171	838,904
319,851	375,867	253,061	310,199	23,585	25,755	320,801	333,908
671,461	644,012	358,593	444,136	13,874	15,890	105,702	94,085
-	-	-	-	-	-	-	-
570,824	710,972	530,474	671,332	122,589	94,356	192,450	186,194
6,719	52,637	12,577	2,985	1,835	50,240	-	-
145,400	301,327	352,596	381,941	10,784	29,830	3,494	36,611
236,454	179,254	295,867	326,114	67,379	64,068	12,695	3,181
50,728	68,435	30,931	40,085	6,527	-	21,136	24,667
-	-	-	-	-	-	-	-
716,230	728,336	336,367	195,191	152,156	148,502	73,760	54,682
9,678	11,306	103,347	73,420	36,192	34,221	1,920,937	2,072,520
<u>3,496,228</u>	<u>3,947,768</u>	<u>2,932,753</u>	<u>3,157,924</u>	<u>537,563</u>	<u>578,253</u>	<u>3,521,146</u>	<u>3,644,752</u>
<u>(197,082)</u>	<u>(651,633)</u>	<u>(244,858)</u>	<u>(514,831)</u>	<u>(69,305)</u>	<u>(41,772)</u>	<u>125,581</u>	<u>30,652</u>
5,523	6,363	-	-	-	-	-	-
-	-	-	-	-	-	-	28,500
-	-	-	-	-	-	4,220	4,150
130,388	343,436	-	82	-	1,623	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,880	-
-	-	(1,080)	-	-	-	12,727	24,488
90,050	174,896	48,311	6,836	1,007	-	2,215	1,213
66,515	(29,635)	-	11,000	-	-	6,000	(4,608)
(171,932)	(188,132)	(154,276)	(160,061)	(20,649)	(46,888)	-	-
-	-	(926)	-	-	-	-	-
<u>120,544</u>	<u>306,928</u>	<u>(107,971)</u>	<u>(142,143)</u>	<u>(19,642)</u>	<u>(45,265)</u>	<u>27,042</u>	<u>53,743</u>
<u>(76,538)</u>	<u>(344,705)</u>	<u>(352,829)</u>	<u>(656,974)</u>	<u>(88,947)</u>	<u>(87,037)</u>	<u>152,623</u>	<u>84,395</u>

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CITY OF RED WING, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	652 Storm Water		Totals		
	2012	2011	2012	(Restated) 2011	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 723,152	\$ 557,890	\$ 16,015,839	\$ 15,646,225	\$ 9,448,306
Sales	-	-	127,975	126,967	-
Cost of goods sold	-	-	(115,474)	(106,567)	-
Miscellaneous	-	-	137,591	142,018	185,990
<b>TOTAL OPERATING REVENUES</b>	<b>723,152</b>	<b>557,890</b>	<b>16,165,931</b>	<b>15,808,643</b>	<b>9,634,296</b>
<b>OPERATING EXPENSES</b>					
Personal services	138,290	79,032	3,789,574	3,798,821	3,115,831
Employee benefits	-	-	1,422,649	1,553,389	3,824,847
Supplies	95,820	115,091	1,863,292	1,748,017	590,485
Cost of goods sold	-	-	-	-	499,734
Professional services	405,182	487,933	2,176,975	2,668,488	1,058,621
Rent and leased equipment	-	-	42,384	124,511	24,600
Repairs and maintenance	-	-	775,489	1,014,983	98,023
Administration and fiscal charges	-	-	1,458,328	1,372,098	99,186
Insurance premiums	-	-	156,507	187,611	354,874
Insurance claims	-	-	-	-	58,806
Depreciation	14,340	-	2,034,035	1,820,430	47,003
Miscellaneous	-	-	2,077,435	2,192,718	251,257
<b>TOTAL OPERATING EXPENSES</b>	<b>653,632</b>	<b>682,056</b>	<b>15,796,668</b>	<b>16,481,066</b>	<b>10,023,267</b>
<b>OPERATING INCOME (LOSS)</b>	<b>69,520</b>	<b>(124,166)</b>	<b>369,263</b>	<b>(672,423)</b>	<b>(388,971)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Special assessments	-	-	6,011	6,899	-
Intergovernmental					
Federal grant	33,090	-	33,090	28,500	-
State grant	9,927	-	14,147	4,150	-
Investment income	-	-	350,178	739,540	68,254
Rents and leases	-	-	88,429	85,234	-
Contributions and donations	-	-	1,880	-	-
Refunds and reimbursements	-	-	14,823	25,425	-
Miscellaneous	-	-	167,943	187,191	-
Gain (loss) on sale of capital assets	22,000	-	112,015	(10,043)	-
Interest and fiscal charges	-	-	(636,884)	(708,943)	-
Amortization expense	-	-	(926)	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>65,017</b>	<b>-</b>	<b>150,706</b>	<b>357,953</b>	<b>68,254</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>134,537</b>	<b>(124,166)</b>	<b>519,969</b>	<b>(314,470)</b>	<b>(320,717)</b>

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  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities-Enterprise Funds			
	<b>600</b> Refuse Collection & Recycling		<b>601/651/313/319/494</b> Water Utility	
	2012	2011	2012	2011
TRANSFERS IN	\$ -	\$ -	\$ -	\$ -
TRANSFERS OUT	-	(34,500)	(449,510)	(188,273)
CHANGE IN NET POSITION	192,847	165,498	108,766	425,746
NET POSITION, JANUARY 1 AS RESTATED	1,706,113	1,540,615	17,663,551	17,237,805
NET POSITION, DECEMBER 31 AS RESTATED	\$ 1,898,960	\$ 1,706,113	\$ 17,772,317	\$ 17,663,551

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>603/307/403/418</b>		<b>605/303</b>		<b>610</b>	
<b>322/323/402/490/492</b>		<b>Incinerator</b>		<b>Marina</b>		<b>Ambulance</b>	
Sewer Utility							
2012	2011	2012	(Restated) 2011	2012	(Restated) 2011	2012	2011
\$ -	\$ -	\$ 3,866,288	\$ 460,000	\$ -	\$ -	\$ -	\$ -
(434,764)	(283,322)	-	(4,500)	-	-	-	(4,500)
(511,302)	(628,027)	3,513,459	(201,474)	(88,947)	(87,037)	152,623	79,895
23,369,181	23,997,208	2,880,264	3,081,738	54,487	141,524	921,279	841,384
<u>\$ 22,857,879</u>	<u>\$ 23,369,181</u>	<u>\$ 6,393,723</u>	<u>\$ 2,880,264</u>	<u>\$ (34,460)</u>	<u>\$ 54,487</u>	<u>\$ 1,073,902</u>	<u>\$ 921,279</u>

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CITY OF RED WING, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	652 Storm Water		Totals		
	2012	2011	2012	(Restated) 2011	
TRANSFERS IN	\$ 82,722	\$ 374,267	\$ 3,949,010	\$ 834,267	\$ 723,396
TRANSFERS OUT	(27,790)	(17,270)	(912,064)	(532,365)	-
CHANGE IN NET POSITION	189,469	232,831	3,556,915	(12,568)	402,679
NET POSITION, JANUARY 1 AS RESTATED	156,214	(76,617)	46,751,089	46,763,657	5,329,034
NET POSITION, DECEMBER 31 AS RESTATED	<u>\$ 345,683</u>	<u>\$ 156,214</u>	<u>\$ 50,308,004</u>	<u>\$ 46,751,089</u>	<u>\$ 5,731,713</u>
Changes in net position as shown above			\$ 3,556,915	\$ (12,568)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(6,555)	173,781	
Changes in net position of business-type activities			<u>\$ 3,550,360</u>	<u>\$ 161,213</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, 2012 AND 2011

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/313/319/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,077,521	\$ 1,955,424	\$ 3,098,968	\$ 3,029,575
Receipts from interfund services provided	-	-	-	-
Payments to vendors and suppliers	(1,007,420)	(1,002,099)	(1,098,668)	(1,122,989)
Payments to and on behalf of employees	(774,043)	(727,721)	(923,560)	(915,511)
Other receipts	13,539	29,933	198,764	155,982
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>309,597</u>	<u>255,537</u>	<u>1,275,504</u>	<u>1,147,057</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Grants received	-	-	-	-
Loan payments received	-	-	-	-
Loans made	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(34,500)	(449,510)	(188,273)
Increase (decrease) in due to other funds	-	-	-	(3,467)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>(34,500)</u>	<u>(449,510)</u>	<u>(191,740)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special assessments received	-	-	29,881	14,802
Proceeds from sale of capital assets	17,500	13,200	-	-
Principal paid on bonds and leases	-	-	(811,000)	(786,000)
Interest and fiscal charges paid on bonds and leases	-	-	(298,766)	(322,306)
Payments for acquisition and construction of capital assets	(251,431)	(197,907)	(545,430)	(626,420)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(233,931)</u>	<u>(184,707)</u>	<u>(1,625,315)</u>	<u>(1,719,924)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	-	-
Sale of investments	-	-	-	-
Interest receipts	10,943	21,455	208,378	380,697
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>10,943</u>	<u>21,455</u>	<u>208,378</u>	<u>380,697</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	86,609	57,785	(590,943)	(383,910)
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>1,030,961</u>	<u>973,176</u>	<u>4,630,372</u>	<u>5,014,282</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 1,117,570</u>	<u>\$ 1,030,961</u>	<u>\$ 4,039,429</u>	<u>\$ 4,630,372</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</b>		<b>603/307/403/418</b>		<b>605/303</b>		<b>610</b>	
<b>322/323/402/490/492</b>							
Sewer Utility		Incinerator		Marina		Ambulance	
2012	2011	2012	2011	2012	2011	2012	2011
\$ 3,215,906	\$ 3,248,424	\$ 2,642,974	\$ 2,615,375	\$ 468,458	\$ 536,481	\$ 3,475,894	\$ 3,706,975
-	-	-	-	-	-	-	-
(1,649,102)	(1,891,674)	(1,685,823)	(1,998,184)	(249,526)	(290,115)	(2,248,393)	(2,426,217)
(1,100,304)	(1,198,625)	(895,875)	(990,161)	(126,518)	(138,963)	(1,145,125)	(1,169,993)
133,303	221,416	47,231	6,836	1,007	-	16,822	25,701
<u>599,803</u>	<u>379,541</u>	<u>108,507</u>	<u>(366,134)</u>	<u>93,421</u>	<u>107,403</u>	<u>99,198</u>	<u>136,466</u>
-	-	-	-	-	-	4,220	32,650
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,866,288	460,000	-	-	-	-
(434,764)	(283,322)	-	(4,500)	-	-	-	(4,500)
-	(3,959)	(2,889,405)	118,866	-	-	-	-
<u>(434,764)</u>	<u>(287,281)</u>	<u>976,883</u>	<u>574,366</u>	<u>-</u>	<u>-</u>	<u>4,220</u>	<u>28,150</u>
197,755	33,645	-	-	-	-	-	-
70,000	727	-	26,292	-	-	6,000	-
(553,533)	(538,024)	(150,000)	(145,000)	(85,000)	(930,000)	-	-
(177,876)	(193,898)	(158,159)	(162,951)	(20,748)	(51,002)	-	-
(1,513,481)	(1,367,495)	(107,243)	72,270	(24,600)	-	(189,795)	(36,237)
<u>(1,977,135)</u>	<u>(2,065,045)</u>	<u>(415,402)</u>	<u>(209,389)</u>	<u>(130,348)</u>	<u>(981,002)</u>	<u>(183,795)</u>	<u>(36,237)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	880,485	-	-
123,492	380,857	(2,250)	1,157	-	2,083	-	-
<u>123,492</u>	<u>380,857</u>	<u>(2,250)</u>	<u>1,157</u>	<u>-</u>	<u>882,568</u>	<u>-</u>	<u>-</u>
(1,688,604)	(1,591,928)	667,738	-	(36,927)	8,969	(80,377)	128,379
<u>9,539,522</u>	<u>11,131,450</u>	<u>-</u>	<u>-</u>	<u>180,493</u>	<u>171,524</u>	<u>371,329</u>	<u>242,950</u>
<u>\$ 7,850,918</u>	<u>\$ 9,539,522</u>	<u>\$ 667,738</u>	<u>\$ -</u>	<u>\$ 143,566</u>	<u>\$ 180,493</u>	<u>\$ 290,952</u>	<u>\$ 371,329</u>

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CITY OF RED WING, MINNESOTA  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	652		Totals		
	Storm Water				
	2012	2011	2012	2011	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 692,142	\$ 539,549	\$ 15,671,863	\$ 15,631,803	\$ -
Receipts from interfund services provided	-	-	-	-	9,437,442
Payments to vendors and suppliers	(538,869)	(526,919)	(8,477,801)	(9,258,197)	(2,565,997)
Payments to and on behalf of employees	(130,949)	(60,373)	(5,096,374)	(5,201,347)	(7,281,147)
Other receipts	-	-	410,666	439,868	185,990
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>22,324</u>	<u>(47,743)</u>	<u>2,508,354</u>	<u>1,612,127</u>	<u>(223,712)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grants received	43,017	-	47,237	32,650	-
Loan payments received	-	-	-	-	19,955
Loans made	-	-	-	-	(24,421)
Transfers from other funds	82,722	374,267	3,949,010	834,267	723,396
Transfers to other funds	(27,790)	(17,270)	(912,064)	(532,365)	-
Increase (decrease) in due to other funds	-	(152,290)	(2,889,405)	(40,850)	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>97,949</u>	<u>204,707</u>	<u>194,778</u>	<u>293,702</u>	<u>718,930</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Special assessments received	-	-	227,636	48,447	-
Proceeds from sale of capital assets	22,000	-	115,500	40,219	-
Principal paid on bonds and leases	-	-	(1,599,533)	(2,399,024)	-
Interest and fiscal charges paid on bonds and leases	-	-	(655,549)	(730,157)	-
Payments for acquisition and construction of capital assets	(182,586)	-	(2,814,566)	(2,155,789)	(42,960)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(160,586)</u>	<u>-</u>	<u>(4,726,512)</u>	<u>(5,196,304)</u>	<u>(42,960)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	-	-	-	-	-
Sale of investments	-	-	-	880,485	-
Interest receipts	(444)	-	340,119	786,249	75,013
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(444)</u>	<u>-</u>	<u>340,119</u>	<u>1,666,734</u>	<u>75,013</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(40,757)</u>	<u>156,964</u>	<u>(1,683,261)</u>	<u>(1,623,741)</u>	<u>527,271</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>156,964</u>	<u>-</u>	<u>15,909,641</u>	<u>17,533,382</u>	<u>7,010,147</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 116,207</u>	<u>\$ 156,964</u>	<u>\$ 14,226,380</u>	<u>\$ 15,909,641</u>	<u>\$ 7,537,418</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, 2012 AND 2011

	Business-type Activities-Enterprise Funds			
	<b>600</b>		<b>601/651/313/319/494</b>	
	Refuse Collection & Recycling		Water Utility	
	2012	2011	2012	2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 165,675	\$ 165,464	\$ 519,732	\$ 463,863
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	117,965	90,417
Depreciation	129,184	101,733	611,998	591,986
(Increase) decrease in assets				
Accounts receivable	(26,094)	(29,175)	(43,832)	10,032
Inventories	-	-	6,371	(75,036)
Prepaid items	(9)	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	13,721	4,086	29,387	33,981
Due to other governments	632	1,047	1,975	2,417
Salaries payable	7,444	461	5,720	4,805
Compensated absences payable	9,591	1,959	13,875	10,016
Other postemployment benefits obligation	9,453	9,962	12,313	14,576
Unearned revenue	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 309,597</u></b>	<b><u>\$ 255,537</u></b>	<b><u>\$ 1,275,504</u></b>	<b><u>\$ 1,147,057</u></b>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>				
Capital assets acquired on account	\$ -	\$ -	\$ 20,987	\$ 20,987
Book value of capital assets disposed of	-	-	-	-
Amortization of bond discount/premium	-	-	-	-

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>603/307/403/418</b>		<b>605/303</b>		<b>610</b>	
<b>322/323/402/490/492</b>							
Sewer Utility		Incinerator		Marina		Ambulance	
2012	2011	2012	2011	2012	2011	2012	2011
\$ (197,082)	\$ (651,633)	\$ (244,858)	\$ (514,831)	\$ (69,305)	\$ (41,772)	\$ 125,581	\$ 30,652
90,050	174,896	47,231	6,836	1,007	-	16,822	25,701
716,230	728,336	336,367	195,191	152,156	148,502	73,760	54,682
(39,987)	(1,191)	(44,921)	(27,718)	-	-	(170,833)	31,571
(935)	(3,055)	-	-	(9,739)	(12,918)	-	-
5,779	6,019	-	-	1,531	917	-	-
37,318	73,305	(1,518)	(58,858)	17,862	10,491	8,021	(8,959)
-	-	80	687	-	-	-	-
(18,493)	27,875	(4,446)	10,499	380	410	7,366	5,087
(7,262)	5,557	10,657	7,278	(1,261)	1,068	26,777	(15,938)
14,185	19,432	9,915	14,782	590	705	11,704	13,670
-	-	-	-	200	-	-	-
<u>\$ 599,803</u>	<u>\$ 379,541</u>	<u>\$ 108,507</u>	<u>\$ (366,134)</u>	<u>\$ 93,421</u>	<u>\$ 107,403</u>	<u>\$ 99,198</u>	<u>\$ 136,466</u>
\$ 22,359	\$ 8,434	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -
3,485	30,362	-	-	-	-	-	-
-	-	926	-	-	-	-	-

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CITY OF RED WING, MINNESOTA  
 STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS - CONTINUED  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	652 Storm Water		Totals		
	2012	2011	2012	2011	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 69,520	\$ (124,166)	\$ 369,263	\$ (672,423)	\$ (388,971)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	273,075	297,850	-
Depreciation	14,340	-	2,034,035	1,820,430	47,003
(Increase) decrease in assets					
Accounts receivable	(31,010)	(18,341)	(356,677)	(34,822)	(10,864)
Inventories	-	-	(4,303)	(91,009)	23,728
Prepaid items	-	-	7,301	6,936	(47)
Increase (decrease) in liabilities					
Accounts and contracts payable	(37,867)	76,105	66,924	130,151	87,891
Due to other governments	-	-	2,687	4,151	-
Salaries payable	1,268	2,569	(761)	51,706	(6,472)
Compensated absences payable	4,220	15,040	56,597	24,980	24,020
Other postemployment benefits obligation	1,853	1,050	60,013	74,177	-
Unearned revenue	-	-	200	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 22,324</b>	<b>\$ (47,743)</b>	<b>\$ 2,508,354</b>	<b>\$ 1,612,127</b>	<b>\$ (223,712)</b>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>					
Capital assets acquired on account	\$ -	\$ -	\$ 43,346	\$ 34,421	\$ -
Book value of capital assets disposed of	-	-	3,485	30,362	-
Amortization of bond discount/premium	-	-	926	-	-

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, 2012

	Agency
<b>ASSETS</b>	
Cash and investments	\$ 722,045
Assets held in endowment	2,502,024
Receivables	
Accounts	36,410
Intergovernmental	77,194
Other assets	6,618
<b>TOTAL ASSETS</b>	<b>\$ 3,344,291</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 273,704
Due to other governments	2,974,833
Salaries payable	12,400
Compensated absences payable	40,152
Other liabilities	43,202
<b>TOTAL LIABILITIES</b>	<b>\$ 3,344,291</b>

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, 2012

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CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 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.

*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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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. *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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, 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, 2012

**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 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 *Incinerator fund* is used to account for all fees collected from customers using the incinerator 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 connected to 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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, deferred inflows of resources and fund balance/net position**

*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.

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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

The 4M fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7.

Investments for the City are reported at 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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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.

***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 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, June and November.

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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 2012. 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 \$231,496 as of December 31, 2012.

***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.

***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. The costs of governmental fund-type inventories 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.

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*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. Land held for resale is equally offset by a fund balance nonspendable account that indicates that it does not constitute available spendable resources.

*Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an 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.

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 estimated fair 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

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 at the rate of 10 hours per month to a maximum of 15 days per year and 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, 2011.

***Deferred outflows/inflows of resources***

In addition to liabilities, the statement of financial 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 two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.*

***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 deferred and 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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

***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.

***Net position***

Net position represents the difference between assets and liabilities. 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 - Consist 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 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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 \$1,707,591, an increase of \$137,928 to the Airport special revenue fund, an increase of \$109,274 to the Library special revenue fund, an increase of \$70,000 to the Tax Increment District #7 special revenue fund, and an increase of \$29,270 to the Inspection 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, 2012

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**B. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2012:

Fund	Amount
Special revenue	
Airport	\$ 11,089
Capital projects	
Parkland Acquisition	15,475
2013 Street Reconstruction Norwood Project	86,427
Spring Creek/Highway 61 Intersection	16,229
West Avenue Reconstruction	7,814
Spring Creek/TH 61 Access Project	5,300
Proprietary funds	
Marina	34,460

It is anticipated the Airport fund deficit will be eliminated by future lease revenues.

It is anticipated the capital projects fund deficits will be eliminated through transfers from other funds.

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

**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 or bonds. Authorized collateral in lieu of a corporate surety bond includes:

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

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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

At year-end, the City's carrying amount of deposits was \$1,961,295, including \$722,045 reported in agency funds. The bank balance was \$2,783,233. The bank balance was covered by federal depository insurance of \$500,525 and \$2,282,708 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

***Investments***

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments. The League of Minnesota Cities Board of Trustees is responsible for oversight of the 4M Fund. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

As of December 31, 2012 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:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled investments			
Minnesota Municipal			
Money Market (4M) Fund	Not rated	less than 6 months	\$ 305
RBC Dain Rauscher Money Market	Not rated	less than 6 months	2,100,732
Wachovia Securities Money Market	Not rated	less than 6 months	506,483
Edward Jones Money Market	Not rated	less than 6 months	1,297,054
Federal Agency Pool	Not rated	more than 3 years	<u>573,515</u>
Total pooled investments			<u>4,478,089</u>
Non-pooled investments			
Community Capital Partners	Not rated	less than 6 months	103,200
St. Paul Foundation	Not rated	less than 6 months	2,955,495
Federal Agency Notes	AAA	more than 3 years	42,432,539
U.S. Treasury Bills	AAA	less than 6 months	3,446,421
Broker CD's	Not rated	less than 6 months	1,666,824
Broker CD's	Not rated	more than 3 years	<u>1,428,942</u>
Total non-pooled investments			<u>52,033,421</u>
Total investments			<u>\$ 56,511,510</u>

(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.

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**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 91 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, 2012, 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 \$4,085.

***Cash and investments summary***

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

	<u>Primary Government</u>	<u>Component Unit Port Authority</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Deposits	\$ 150,775	\$ 1,088,475	\$ 722,045	\$ 1,961,295
Investments	54,009,486	-	2,502,024	56,511,510
Cash on hand	4,085	-	-	4,085
 Total	 <u>\$ 54,164,346</u>	 <u>\$ 1,088,475</u>	 <u>\$ 3,224,069</u>	 <u>\$ 58,476,890</u>
 Cash and investments	 \$ 53,710,875	 \$ 1,088,475	 \$ 722,045	 \$ 55,521,395
Assets held in endowment	453,471	-	2,502,024	2,955,495
 Total	 <u>\$ 54,164,346</u>	 <u>\$ 1,088,475</u>	 <u>\$ 3,224,069</u>	 <u>\$ 58,476,890</u>

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Assets held in endowment**

Assets held in endowment at December 31, 2012 were \$2,955,495. The Saint Paul Foundation holds these assets in accounts for the sole benefit of the Red Wing Public Library special revenue fund (\$453,471) and the Sheldon Auditorium Agency fund (\$2,502,024). 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 \$293,219 and \$1,221,302 are reported as assets in the primary government and component unit, respectively:

Fund	Amount
Primary Government	
Special revenue	
D.T.E.D. Loan	\$ 265,284
Internal service	
Risk Management	27,935
Total governmental activities	\$ 293,219
Component Unit	
Industrial Loan	\$ 968,034
Micro Loan	39,320
Intermediary Relending	213,948
Total component unit	\$ 1,221,302

The City also has loans to other governments totaling \$84,352 which mainly consists of a loan to Independent School District No. 256 for the construction of a parking lot payable in monthly installments with interest.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Capital assets**

*Primary government*

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 5,979,813	\$ -	\$ (85,357)	\$ 5,894,456
Construction in progress	7,101,128	4,813,061	-	11,914,189
Total capital assets not being depreciated	<u>13,080,941</u>	<u>4,813,061</u>	<u>(85,357)</u>	<u>17,808,645</u>
Capital assets being depreciated				
Buildings	24,683,949	1,315,976	(83,018)	25,916,907
Improvements other than buildings	12,276,798	676,609	-	12,953,407
Machinery and equipment	1,457,631	-	-	1,457,631
Office equipment	1,019,629	11,340	-	1,030,969
Vehicles	7,739,338	861,948	(332,618)	8,268,668
Infrastructure	36,191,082	-	-	36,191,082
Total capital assets being depreciated	<u>83,368,427</u>	<u>2,865,873</u>	<u>(415,636)</u>	<u>85,818,664</u>
Less accumulated depreciation for				
Buildings	(19,083,159)	(465,871)	12,709	(19,536,321)
Improvements other than buildings	(10,826,899)	(105,382)	-	(10,932,281)
Machinery and equipment	(784,845)	(78,148)	-	(862,993)
Office equipment	(750,739)	(70,511)	-	(821,250)
Vehicles	(4,942,200)	(537,979)	332,618	(5,147,561)
Infrastructure	(21,047,355)	(1,546,068)	-	(22,593,423)
Total accumulated depreciation	<u>(57,435,197)</u>	<u>(2,803,959)</u>	<u>345,327</u>	<u>(59,893,829)</u>
Total capital assets being depreciated, net	<u>25,933,230</u>	<u>61,914</u>	<u>(70,309)</u>	<u>25,924,835</u>
Governmental activities capital assets, net	<u>\$ 39,014,171</u>	<u>\$ 4,874,975</u>	<u>\$ (155,666)</u>	<u>\$ 43,733,480</u>

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 81,891	\$ 133,089	\$ -	\$ 214,980
Construction in progress	<u>8,080,870</u>	<u>447,180</u>	<u>(6,168,546)</u>	<u>2,359,504</u>
Total capital assets not being depreciated	<u>8,162,761</u>	<u>580,269</u>	<u>(6,168,546)</u>	<u>2,574,484</u>
Capital assets being depreciated				
Buildings	28,034,521	6,163,106	-	34,197,627
Improvements other than buildings	14,126,664	1,005,687	-	15,132,351
Machinery and equipment	2,780,287	23,114	-	2,803,401
Office equipment	13,166	-	-	13,166
Vehicles	3,744,988	1,219,861	(330,491)	4,634,358
Infrastructure	<u>26,556,365</u>	<u>-</u>	<u>-</u>	<u>26,556,365</u>
Total capital assets being depreciated	<u>75,255,991</u>	<u>8,411,768</u>	<u>(330,491)</u>	<u>83,337,268</u>
Less accumulated depreciation for				
Buildings	(6,590,059)	(668,002)	-	(7,258,061)
Improvements other than buildings	(8,475,591)	(352,243)	-	(8,827,834)
Machinery and equipment	(2,123,798)	(71,987)	-	(2,195,785)
Office equipment	(13,166)	-	-	(13,166)
Vehicles	(2,540,914)	(420,917)	327,006	(2,634,825)
Infrastructure	<u>(9,041,002)</u>	<u>(520,886)</u>	<u>-</u>	<u>(9,561,888)</u>
Total accumulated depreciation	<u>(28,784,530)</u>	<u>(2,034,035)</u>	<u>327,006</u>	<u>(30,491,559)</u>
Total capital assets being depreciated, net	<u>46,471,461</u>	<u>6,377,733</u>	<u>(3,485)</u>	<u>52,845,709</u>
Business-type activities capital assets, net	<u>\$ 54,634,222</u>	<u>\$ 6,958,002</u>	<u>\$ (6,172,031)</u>	<u>\$ 55,420,193</u>

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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	\$ 131,801
Public safety	192,158
Public works	1,487,623
Culture and recreation	510,115
Miscellaneous	
Airport	420,627
Cemeteries	14,632
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>47,003</u>
Total depreciation expense - governmental activities	<u>\$ 2,803,959</u>

**Business-type activities**

Refuse collection and recycling	\$ 129,184
Water utility	611,998
Sewer utility	716,230
Incinerator	336,367
Marina	152,156
Ambulance	73,760
	<u>14,340</u>
Total depreciation expense - business-type activities	<u>\$ 2,034,035</u>

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Component unit*

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component unit activities</b>				
Capital assets not being depreciated				
Land	\$ 265,042	\$ -	\$ -	\$ 265,042
Capital assets being depreciated				
Buildings	94,086	-	-	94,086
Improvements other than buildings	582,871	-	-	582,871
Total capital assets being depreciated	676,957	-	-	676,957
Less accumulated depreciation for				
Buildings	(94,086)	-	-	(94,086)
Improvements other than buildings	(582,871)	-	-	(582,871)
Total accumulated depreciation	(676,957)	-	-	(676,957)
Total capital assets being depreciated, net	-	-	-	-
Governmental activities capital assets, net	\$ 265,042	\$ -	\$ -	\$ 265,042

*Construction commitments*

The City has active construction projects as of December 31, 2012. The projects include a water reservoir renovation, transportation improvements and wastewater improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Reservoir Renovation	\$ 398,753	\$ 29,553
Airport Apron Rehab	223,170	11,746
East 5th St Bridge Construction	1,598,787	1,760,601
2012 Street Reconstruction	838,477	92,580
Old Highway 19 Bridge	339,175	682,588
Charlson/Highlands Paving	891,386	5,804
Mill and Overlays	-	46,964
Industrial Wastewater Treatment	424,821	109,538
Total	\$ 4,714,569	\$ 2,739,374

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Interfund receivables, payables, and transfers**

The composition of interfund balances at December 31, 2012 is as follows:

*Due from/to other funds*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PERA Perpetual	\$ 577,758
	Nonmajor governmental	578,356
Business-type activities - internal service	Governmental activities - internal service	<u>622,127</u>
Total		<u><u>\$ 1,778,241</u></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 \$577,758 is for the operating subsidy. The amount due from the governmental activities to the business-type activities of \$622,127 is due to the elimination of internal service fund profits and losses. The remaining balances totaling \$578,356 are for temporary advances to cover cash deficits.

*Loans to/from other funds/component unit*

The General fund of the Port Authority has an advance payable to the Industrial Loan fund of the Port Authority totaling \$48,591 at year end related to the purchase of bulkhead land.

*Loans to/due from component unit*

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government	Component unit	
General	Port Authority	\$ 1,152,738
	Industrial Loan	24,502
Capital Improvement Assessment	Port Authority	<u>1,316,429</u>
Totals - fund financial statements		2,493,669
Adjustment to reflect the consolidation of internal service fund activities to Port Authority - component unit		<u>(25,263)</u>
Totals - statement of net position		<u><u>\$ 2,468,406</u></u>

The above loans were made for the following purposes:

- General fund to the Port Authority fund for Fairview property purchase and various other improvements.
- General fund to the Industrial Loan fund for the D.L. Ricci loan.
- Capital Improvement Assessment fund to the Port Authority fund for the Fairview and CRL property purchases.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Interfund transfers*

The following transfers were made for the year ended December 31, 2012:

Fund	Transfers In			
	General Fund	Debt Service Fund	Capital Improvement Assessment Fund	Nonmajor Governmental Funds
Transfers out				
General	\$ -	\$ -	\$ -	\$ 1,186,384
Capital Improvement				
Assessment	-	-	-	802,794
PERA Perpetual	179,971	-	-	-
Debt Service	-	486,572	-	-
Nonmajor				
governmental	2,500	-	269,754	96,467
Water Utility enterprise	75,000	-	-	374,510
Sewer Utility enterprise	75,000	-	-	359,764
Storm Water enterprise	-	-	-	27,790
Total	<u>\$ 332,471</u>	<u>\$ 486,572</u>	<u>\$ 269,754</u>	<u>\$ 2,847,709</u>

Fund	Transfers In			
	Incinerator Fund	Storm Water Fund	Engineering Internal Service Fund	Total
Transfer out				
General	\$ 3,866,288	\$ 82,722	\$ 723,396	\$ 5,858,790
Capital Improvement				
Assessment	-	-	-	802,794
PERA Perpetual	-	-	-	179,971
Debt Service	-	-	-	486,572
Nonmajor				
governmental	-	-	-	368,721
Water Utility enterprise	-	-	-	449,510
Sewer Utility enterprise	-	-	-	434,764
Storm Water enterprise	-	-	-	27,790
Total	<u>\$ 3,866,288</u>	<u>\$ 82,722</u>	<u>\$ 723,396</u>	<u>\$ 8,608,912</u>

CITY OF RED WING, MINNESOTA  
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**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 2012:

- From the General fund to the following funds for operating subsidies: Incinerator enterprise fund (\$666,288), Library special revenue fund (\$796,897), Engineering internal service fund (\$100,928), Building Inspection special revenue fund (\$74,773), Storm Water enterprise fund (\$82,722) and Airport special revenue fund (\$87,545).
- From the PERA Perpetual fund to the General fund for operating subsidy (\$179,971).

In the year ended December 31, 2012, the City made the following one-time transfers:

- From the General fund to various nonmajor capital projects funds for one-time capital improvements (\$227,169).
- From the General fund to the Incinerator fund to help cover expenditures (\$3,200,000).
- From the General fund to the Engineering internal service fund for one-time capital improvements (\$622,468).
- From the Capital Improvement Assessment fund to various nonmajor capital projects funds for one-time capital improvements (\$802,794).
- From the Airport special revenue fund to the Airport Federal Projects capital project fund for one-time capital improvements (\$17,767).
- From the G.O. Improvement Bonds 2002A debt service fund to various debt service funds for debt payments (\$486,572).
- From the Fiber Project fund to the Street and Alley Improvements fund to close the project (\$95).
- From the 2009 Street Reconstruction Project fund to the General fund to close the project (\$2,500).
- From the 2009 Street Reconstruction Project fund to the Street and Alley Improvement fund to close the project (\$36,578).
- From the 2011 Street Reconstruction Project fund to the Street and Alley Improvement fund to close the project (\$34,279).
- From the Pine, Prairia and Ally Construction fund to the Street and Alley Improvement fund to close the project (\$7,491).
- From the South Service Drive fund to the Capital Improvement Assessment fund for one-time capital improvements (\$129,220).
- From the State Aid Street Overlay fund to the Capital Improvement Assessment fund for one-time capital improvements (\$140,534).
- From the Street and Alley Improvements fund to the Aspen Avenue and Highway 61 Access Road fund to close the project (\$257).
- From the Water Utility fund to the General fund (\$75,000) and other various nonmajor capital projects fund (\$374,510) for one-time capital improvements.
- From the Sewer Utility fund to the General fund (\$75,000) and other various nonmajor capital projects fund (\$359,764) for one-time capital improvements.
- From the Storm Water fund to the 2012 Street Reconstruction Project fund for one-time capital improvements (\$27,790).

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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. Bond of 2011A	\$ 1,835,000	0.50 - 2.60 %	11/15/11	02/01/22	\$ 1,835,000
G.O. Bond of 2012A	2,375,000	0.45 - 2.15	07/12/12	02/01/23	<u>2,375,000</u>
 Total G.O. Bonds					 <u><u>\$ 4,210,000</u></u>

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

Year Ending December 31,	<b>G.O. Bonds</b> Governmental Activities		
	Principal	Interest	Total
2013	\$ 160,000	\$ 58,840	\$ 218,840
2014	475,000	54,878	529,878
2015	475,000	52,022	527,022
2016	480,000	48,260	528,260
2017	495,000	43,285	538,285
2018 - 2022	1,955,000	115,754	2,070,754
2023	170,000	1,828	171,828
 Total	 <u><u>\$ 4,210,000</u></u>	 <u><u>\$ 374,867</u></u>	 <u><u>\$ 4,584,867</u></u>

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation improvement bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2002A	\$ 2,625,000	3.00 - 4.50 %	04/01/02	02/01/13	\$ 250,000

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

Year Ending December 31,	<b>G.O. Special Assessment Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2013	\$ 250,000	\$ 5,625	\$ 255,625

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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 1996	\$ 750,000	3.82 %	12/27/96	08/20/17	\$ 241,190
G.O. Sewer Revenue Note of 1997	700,000	3.41	12/02/94	02/20/18	241,381
G.O. Sewer Revenue Note of 1998	2,500,000	3.34	05/22/98	08/20/18	842,416
G.O. Sewer Revenue Note of 2002	2,100,000	3.74	10/11/02	08/20/22	895,000
G.O. Water Revenue Bonds of 2004	15,283,450	2.82	06/24/04	08/20/23	9,801,000
G.O. Sewer Revenue Bonds of 2004	5,283,360	2.34	09/23/04	08/20/24	3,602,000
G.O. Disposal System Revenue Bonds of 2008	4,070,000	3.25 - 4.60	09/15/08	02/01/29	3,695,000
G.O. Marina Revenue Refunding Bonds of 2010A	920,000	0.70 - 3.20	07/01/10	05/01/21	<u>835,000</u>
Total G.O. Revenue Bonds					<u><u>\$20,152,987</u></u>

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2013	\$ 1,587,300	\$ 608,663	\$ 2,195,963
2014	1,626,341	563,164	2,189,505
2015	1,680,660	515,754	2,196,414
2016	1,727,270	466,427	2,193,697
2017	1,776,256	415,014	2,191,270
2018 - 2022	8,223,160	1,336,800	9,559,960
2023 - 2027	2,947,000	330,547	3,277,547
2028 - 2029	<u>585,000</u>	<u>27,185</u>	<u>612,185</u>
Total	<u><u>\$20,152,987</u></u>	<u><u>\$ 4,263,554</u></u>	<u><u>\$24,416,541</u></u>

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Revenue bonds

The following bonds were issued to finance capital improvements to the City owned golf course. They will be retired from contractual rent revenues per the operating lease agreement shown below.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Golf Course Revenue Bonds of 1998	\$ 1,700,000	7.75 %	03/31/98	01/01/24	<u>\$ 728,442</u>

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

Year Ending December 31,	<b>Revenue Bonds</b> Governmental Activities		
	Principal	Interest	Total
2013	\$ -	\$ 53,910	\$ 53,910
2014	-	50,068	50,068
2015	-	46,010	46,010
2016	17,379	41,844	59,223
2017	84,614	37,198	121,812
2018 - 2022	500,448	108,610	609,058
2022 - 2024	126,001	4,147	130,148
Total	<u>\$ 728,442</u>	<u>\$ 341,787</u>	<u>\$ 1,070,229</u>

Operating lease

The City is a lessor for its golf course operating lease agreement. The current lease runs through 2038, with annual rent obligations equal to the debt service obligations on the G.O. Golf Course Revenue Bonds of 1998 through January 1, 2024. Additional rents could include a percentage of capital improvements made at the golf course by the City. During 2012, the lease was abandoned by the lessee. The related outstanding revenue bond matured in November 2012 and is outstanding and unpaid as no revenues have been received by the City to make the payment. Future minimum lease rentals due to the City for this lease are as follows:

Year Ending December 31,	Amount
2013	\$ 53,910
2014	50,068
2015	46,010
2016	59,223
2017	121,812
2018 - 2022	609,058
2022 - 2024	130,148
Total	<u>\$ 1,070,229</u>

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Capital leases

The City is leasing a fire truck under a capital lease. The following is a summary of equipment under capitalized leases:

	Governmental Activities
Asset	
Machinery and equipment	\$ 735,078
Less Accumulated depreciation	(392,176)
Total	\$ 342,902

The following capital lease obligation was issued to finance the purchase of capital equipment. The fire truck lease is being paid for by the General fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Fire Truck Lease	\$ 735,078	5.09 %	09/22/03	09/22/13	\$ 91,336

The annual debt service requirements to maturity for capital leases payable are as follows:

Year Ending December 31,	<b>Capital Leases</b>		
	Governmental Activities		
	Principal	Interest	Total
2013	\$ 91,336	\$ 4,740	\$ 96,076

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 1,835,000	\$ 2,375,000	\$ -	\$ 4,210,000	\$ 160,000
General obligation special assessment bonds	1,045,000	-	(795,000)	250,000	250,000
Revenue bonds	1,078,551	-	(350,109)	728,442	-
Total bonds payable	3,958,551	2,375,000	(1,145,109)	5,188,442	410,000
Capital leases payable	178,166	-	(86,830)	91,336	91,336
OPEB obligation	286,132	131,958	(78,558)	339,532	-
Compensated absences payable	1,359,695	766,563	(742,543)	1,383,715	642,497
Governmental activity long-term liabilities	<u>\$ 5,782,544</u>	<u>\$ 3,273,521</u>	<u>\$(2,053,040)</u>	<u>\$ 7,003,025</u>	<u>\$ 1,143,833</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 21,752,520	\$ -	\$(1,599,533)	\$ 20,152,987	\$ 1,587,300
Unamortized bond premium	16,421	-	(926)	15,495	-
Total bonds payable	21,768,941	-	(1,600,459)	20,168,482	1,587,300
OPEB obligation	219,781	101,358	(41,345)	279,794	-
Compensated absences payable	643,989	411,884	(355,287)	700,586	302,822
Business-type activity long-term liabilities	<u>\$ 22,632,711</u>	<u>\$ 513,242</u>	<u>\$(1,997,091)</u>	<u>\$ 21,148,862</u>	<u>\$ 1,890,122</u>
<b>Component Unit</b>					
OPEB obligation	\$ 12,668	\$ 3,968	\$ (2,039)	\$ 14,597	\$ -
Compensated absences payable	18,730	12,078	(3,265)	27,543	3,265
Component unit long-term liabilities	<u>\$ 31,398</u>	<u>\$ 16,046</u>	<u>\$ (5,304)</u>	<u>\$ 42,140</u>	<u>\$ 3,265</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, 2012, there were seven series of Industrial Revenue Bonds outstanding, with an aggregate principal of \$33,975,000. The balance on these bonds at December 31, 2012 was \$23,928,892.

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**G. Tax increment districts**

The City is the administering authority for the following tax increment finance district:

	Tax Increment <u>District No. 7-1</u>
Authorizing Law	M.S. 469.001-007 M.S. 469.174-179
Type of District	Redevelopment
Year Established	2001
Duration of District	20 years
Tax Capacity	
Original	\$ 38,520
Current	<u>180,758</u>
Captured - Retained	<u>\$ 142,238</u>
Total General Obligation Tax Increment	
Bonds and Notes issued	\$ -
Amounts redeemed	<u>-</u>
Outstanding at December 31, 2012	<u><u>\$ -</u></u>

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**H. Components of fund balance**

At December 31, 2012, 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	Other Governmental Funds	Total
<b>Nonspendable for</b>						
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ 1,356	\$ 1,356
Loans to other governments	40,000	-	-	-	-	40,000
Loans to component unit	249,632	-	-	-	-	249,632
Library endowment	-	-	-	-	453,471	453,471
Permanent principal endowments	-	-	-	-	1,561,877	1,561,877
	<u>\$ 289,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,016,704</u>	<u>\$ 2,306,336</u>
<b>Restricted for</b>						
Debt service	\$ -	\$ -	\$ 710,110	\$ -	\$ -	\$ 710,110
DNR grant	14,345	-	-	-	-	14,345
Sister cities activities	-	-	-	-	10,285	10,285
Library activities	-	-	-	-	19,986	19,986
Capital projects (unspent bond proceeds)	396,895	-	-	-	141,299	538,194
Police and fire activities	56,641	9,127,057	-	-	-	9,183,698
Future loans	-	-	-	-	524,363	524,363
Tax increment activities	-	-	-	-	2,119	2,119
Cemetery perpetual	-	-	-	-	652,389	652,389
	<u>\$ 467,881</u>	<u>\$ 9,127,057</u>	<u>\$ 710,110</u>	<u>\$ -</u>	<u>\$ 1,350,441</u>	<u>\$ 11,655,489</u>
<b>Committed for</b>						
Capital improvements	<u>\$ 3,200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,212</u>	<u>\$ 3,675,212</u>
<b>Assigned for</b>						
Future operations	\$ -	\$ -	\$ -	\$ -	\$ 166,499	\$ 166,499
Capital improvements	-	-	-	7,023,113	-	7,023,113
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,023,113</u>	<u>\$ 166,499</u>	<u>\$ 7,189,612</u>
<b>Unassigned</b>						
	<u>\$ 11,445,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (143,690)</u>	<u>\$ 11,301,678</u>

CITY OF RED WING, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE**

**A. Plan description**

All full-time and certain part-time employees of the City of Red Wing are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after three years of credited service. The defined retirement 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 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 10 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 10 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 PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED**

**B. Funding policy**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. In 2012, the City of Red Wing was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.40 percent for PEPFF members. The City's contributions to the GERF for the years ending December 31, 2012, 2011 and 2010 were \$493,680, \$502,532, and \$492,520, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$498,223, \$493,110, and \$480,047, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**C. 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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specifies 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. 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 four-tenths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2012, 2011 and 2010 were \$1,160, \$1,243 and \$1,711, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION**

**A. Plan description**

All 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). 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.

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  
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**Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED**

**B. Plan benefits**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. A fire fighter who completes at least 20 years as an active member of the Red Wing Fire Department (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.

The City passes through State aids allocated to the plan, all in accordance with enabling State statutes. The State aid is recognized as both a revenue and an expenditure in the General fund. The State aid for 2012 was \$71,133. The firefighter has no obligation to contribute to this pension plan.

**C. Funding policy**

The amount shown as the "accrued liability" is based on the actuarial accrued liability measure as determined using the same actuarial assumptions as for funding purposes. This measure is substituted for the standardized measure required for disclosure purposes under the GASB Statement No. 27.

The assumed interest rate for the actuarial calculations was 5 percent compounded annually.

The City's annual pension cost for the current year and related information for the plan is as follows:

Annual Pension Cost	\$ 71,133
Contributions Made	
State Aid	71,133
Actuarial Valuation Date	12/31/12
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial Assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED**

Three Year Trend Information				
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
12/31/12	\$ 71,133	100.0 %	\$	-
12/31/11	69,531	100.0	-	-
12/31/10	74,004	100.0	-	-

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Benefit per Year of Service
12/31/12	\$ - *	\$ - *	\$ - *	-	\$ 2,500
12/31/11	892,070	618,722	273,348	144.2	2,500
12/31/10	806,679	462,255	344,424	174.5	2,000

\* Information not available at the date of the issuance of report.

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**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 three-year 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 2012, the City contributed \$121,942 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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED**

	Primary Government	Component Unit	Total
Annual required contribution	\$ 241,779	\$ 4,112	\$ 245,891
Interest on net OPEB obligation	22,946	390	23,336
Adjustment to annual required contribution	<u>(31,409)</u>	<u>(534)</u>	<u>(31,943)</u>
Annual OPEB cost (expense)	233,316	3,968	237,284
Contributions made	<u>(119,903)</u>	<u>(2,039)</u>	<u>(121,942)</u>
Increase in net OPEB obligation	113,413	1,929	115,342
Net OPEB obligation - beginning of year	<u>505,913</u>	<u>12,668</u>	<u>518,581</u>
NET OPEB obligation - end of year	<u>\$ 619,326</u>	<u>\$ 14,597</u>	<u>\$ 633,923</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 2012 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
12/31/12	\$ 237,284	51.4 %	\$ 633,923
12/31/11	239,904	38.3	518,581
12/31/10	192,053	46.8	370,451

**D. Funded status and funding progress.**

As of January 1, 2011, the City's actuarial accrued liability for benefits was \$2,071,750, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$9,841,666, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.1 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.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED**

**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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced incrementally to an ultimate rate of 5 percent after six 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 2000 United States Life Tables for Males and for Females were used.

*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.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.0 percent initially, reduced to an ultimate rate of 5.0 percent after six years, was used.

*Health insurance premiums* - 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 4.5 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 4.5 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, 2012 was 30 years.

CITY OF RED WING, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 7: 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 \$920,000 per claim in 2012. Should the LMCIT Workers' Compensation Division liabilities exceed assets, LMCIT may assess the City in a method and amount to be determined by LMCIT.

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

All funds of the City participate in the program and make payments to the Risk Management internal service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for future claims. The Fund has net position of \$282,112 at December 31, 2012 and is reported as unrestricted net position of the Risk Management internal service fund. An estimated claims liability of \$240,225 reported in the fund at December 31, 2012 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:

<u>Year</u>	<u>January 1 Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>December 31 Claims Liability</u>
2012	\$ 211,929	\$ 1,763,245	\$ 1,734,949	\$ 240,225
2011	196,660	2,168,484	2,153,215	211,929
2010	304,071	2,094,348	2,201,759	196,660

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 7: OTHER INFORMATION - CONTINUED**

**B. Contingent liabilities**

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

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The City Attorney estimates that the unrecorded potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City. The City has recorded a claim liability of \$240,225 as of December 31, 2012 for the City's litigation fees paid on a lawsuit.

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.

Mississippi National lease was abandoned by the lessee. The related outstanding revenue bond matured in November 2012, and \$728,442 is outstanding and unpaid as no revenues have been received by the City to make the payment.

**C. Legal debt margin**

The City's statutory debt limit is three percent of estimated market value of real and personal property located within the City which is \$1,551,046,300. The City currently has \$4,210,000 of general obligation debt subject to this limit leaving a debt margin of \$42,775,474. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

**D. Principal taxpayer**

Property owned by Xcel Energy located in Red Wing represents approximately 36.5 percent of the City's 2012 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 1,060 megawatts of electricity, making it one of the largest generating facilities in the Xcel Energy's four-state system.

**E. Tax increment districts**

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

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 7: OTHER INFORMATION - CONTINUED**

**F. Landfill closure and postclosure 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, \$364,166 is reported as a restricted asset in the net position of the Incinerator fund as of December 31, 2012. This amount represents the cumulative restricted assets reported to date based on the use of 81.6 percent of the estimated capacity of the landfill. The City will recognize the remaining closure and post-closure care requirement of approximately \$178,930 as the remaining estimated capacity is filled. This is a decrease of \$10,256 over the prior year amount of \$189,186. These amounts are based on what it would cost to perform all closure and post-closure care in 2012. 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 2012 engineer's report. Existing capacity will be utilized for ash generated at the City's Incinerator.

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, 2012, \$364,166 is reported as restricted assets on the Incinerator fund's balance sheet. The City expects that future inflation costs will be paid from interest earnings and annual contributions from the Incinerator 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.

**G. Subsequent events**

On April 15 2013, the City awarded the sale of \$2,930,000 of 2013A General Obligation Bonds. The bonds were issued with at a true interest cost of 1.42 percent for the purposes of (i) various park, lighting and public parking facility improvements, (ii) improvements to City facilities, (iii) various street reconstruction projects, (iv) the acquisition of various items of equipment, and (v) various street improvement projects.

**Note 8: ACCOUNTING CHANGE**

Governmental Accounting Standard Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" will improve financial reporting by the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the City's net position. GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City implemented these standards for the fiscal year end December 31, 2012. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1 and Note 3.

The City enters into transactions that result in the consumption or acquisition of net asset in one period that are applicable to future periods. These consumptions or acquisitions are *deferred outflows of resources* and *deferred inflows of resources* and are distinguished from assets and liabilities. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The Statement of Net Position (renamed from the Statement of Net Assets) is presented in a format that shows *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*.

CITY OF RED WING, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 8: ACCOUNTING CHANGE - CONTINUED**

The implementation of GASB Statements No. 63 and 65 resulted in the reclassification of certain funds and restatement of the City's financial statements. This statement had the following effect on the financial statements as they were previously reported:

Fund	December 31, 2011		
	Net Position January 1, 2011 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2011 as Restated
Governmental activities	\$ 80,480,446	\$ -	\$ 80,480,446
Business-type activities	\$ 47,340,878	\$ (122,320)	\$ 47,218,558
Business-type activities			
Refuse Collection & Recycling	\$ 1,540,615	\$ -	\$ 1,540,615
Water Utility	17,237,805	-	17,237,805
Sewer Utility	23,997,208	-	23,997,208
Incinerator	3,148,340	(66,602)	3,081,738
Marina	197,242	(55,718)	141,524
Ambulance	841,384	-	841,384
Storm Water	(76,617)	-	(76,617)
Total business-type activities	\$ 46,885,977	\$ (122,320)	\$ 46,763,657

(1) Write off of unamortized bond issuance cost balances at December 31, 2010.

Fund	December 31, 2012		
	Net Position January 1, 2011 as Previously Reported	Prior Period Restatement (2)	Net Position January 1, 2012 as Restated
Governmental activities	\$ 81,956,533	\$ (42,154)	\$ 81,914,379
Business-type activities	\$ 47,477,214	\$ (97,443)	\$ 47,379,771
Business-type activities			
Refuse Collection & Recycling	\$ 1,706,113	\$ -	\$ 1,706,113
Water Utility	17,663,551	-	17,663,551
Sewer Utility	23,369,181	-	23,369,181
Incinerator	2,943,310	(63,046)	2,880,264
Marina	88,884	(34,397)	54,487
Ambulance	921,279	-	921,279
Storm Water	156,214	-	156,214
Total business-type activities	\$ 46,848,532	\$ (97,443)	\$ 46,751,089

(2) Write off of any bond issuance cost activity for the year ended December 31, 2011 plus unamortized bond issuances costs at December 31, 2010.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF RED WING, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**Schedule of funding progress for the retiree health plan**

Actuarial Valuation Date	Required Supplementary Information					
	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)
1/1/11	\$ -	\$ 2,071,750	\$ 2,071,750	- %	\$ 9,841,666	21.1 %
1/1/08	-	1,607,953	1,607,953	-	8,984,812	17.9

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**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF RED WING, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 454,229	\$ 960,659	\$ 2,206,427	\$ 3,621,315
Assets held in endowment	453,471	-	-	453,471
Receivables				
Accrued interest	-	-	7,839	7,839
Delinquent taxes	11,551	-	-	11,551
Accounts	53,814	37,004	-	90,818
Loans (net)	265,284	-	-	265,284
Intergovernmental	125,656	365,271	-	490,927
Prepaid items	1,356	-	-	1,356
	<u>1,365,361</u>	<u>1,362,934</u>	<u>2,214,266</u>	<u>4,942,561</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,365,361</u></b>	<b><u>\$ 1,362,934</u></b>	<b><u>\$ 2,214,266</u></b>	<b><u>\$ 4,942,561</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 60,069	\$ 297,986	\$ -	\$ 358,055
Contracts payable	-	93,547	-	93,547
Due to other funds	92,221	486,135	-	578,356
Due to other governments	188	-	-	188
Salaries payable	35,698	-	-	35,698
	<u>188,176</u>	<u>877,668</u>	<u>-</u>	<u>1,065,844</u>
<b>TOTAL LIABILITIES</b>	<b><u>188,176</u></b>	<b><u>877,668</u></b>	<b><u>-</u></b>	<b><u>1,065,844</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	<u>11,551</u>	<u>-</u>	<u>-</u>	<u>11,551</u>
<b>FUND BALANCES</b>				
Nonspendable	454,827	-	1,561,877	2,016,704
Restricted	556,753	141,299	652,389	1,350,441
Committed	-	475,212	-	475,212
Assigned	166,499	-	-	166,499
Unassigned	(12,445)	(131,245)	-	(143,690)
	<u>1,165,634</u>	<u>485,266</u>	<u>2,214,266</u>	<u>3,865,166</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,165,634</u></b>	<b><u>485,266</u></b>	<b><u>2,214,266</u></b>	<b><u>3,865,166</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 1,365,361</u></b>	<b><u>\$ 1,362,934</u></b>	<b><u>\$ 2,214,266</u></b>	<b><u>\$ 4,942,561</u></b>

CITY OF RED WING, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 182,081	\$ -	\$ -	\$ 182,081
Licenses and permits	147,085	-	-	147,085
Intergovernmental	487,728	1,805,829	-	2,293,557
Charges for services	43,730	-	-	43,730
Fines and forfeits	9,668	-	-	9,668
Investment income	54,335	-	19,465	73,800
Miscellaneous	106,949	117,571	54,301	278,821
<b>TOTAL REVENUES</b>	<u>1,031,576</u>	<u>1,923,400</u>	<u>73,766</u>	<u>3,028,742</u>
<b>EXPENDITURES</b>				
Current				
Public safety	237,917	-	-	237,917
Public works	78,212	36,782	-	114,994
Culture and recreation	925,076	-	-	925,076
Economic development	242,825	-	-	242,825
Airport	219,222	-	-	219,222
Transit	-	269	-	269
Capital outlay				
Public works	-	4,746,930	-	4,746,930
Culture and recreation	461,293	-	-	461,293
Airport	310,471	-	-	310,471
Transit	-	10,000	-	10,000
Debt service				
Bond issuance costs	-	19,081	-	19,081
<b>TOTAL EXPENDITURES</b>	<u>2,475,016</u>	<u>4,813,062</u>	<u>-</u>	<u>7,288,078</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,443,440)</u>	<u>(2,889,662)</u>	<u>73,766</u>	<u>(4,259,336)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	14,250	60,110	-	74,360
Transfers in	1,086,108	1,761,601	-	2,847,709
Bonds issued	412,710	682,973	-	1,095,683
Transfers out	(17,767)	(350,954)	-	(368,721)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,495,301</u>	<u>2,153,730</u>	<u>-</u>	<u>3,649,031</u>
<b>NET CHANGE IN FUND BALANCES</b>	51,861	(735,932)	73,766	(610,305)
<b>FUND BALANCES, JANUARY 1</b>	<u>1,113,773</u>	<u>1,221,198</u>	<u>2,140,500</u>	<u>4,475,471</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 1,165,634</u>	<u>\$ 485,266</u>	<u>\$ 2,214,266</u>	<u>\$ 3,865,166</u>

## NONMAJOR SPECIAL REVENUE FUNDS

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

**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.

**U.S. EPA Hazardous Substances** - This fund is used to account for activities related to potential brownfield sites contaminated with hazardous substances.

**U.S. EPA Petroleum** - This fund is used to account for activities related to potential brownfield sites contaminated with petroleum.

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

**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 # 2** - This fund is used to account for tax increment financing activities related to a specific redevelopment district.

**Tax Increment District # 7** - This fund is used to account for tax increment financing activities related to a specific property.

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

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

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CITY OF RED WING, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	209	211	221	222
	Airport	Library	U.S. EPA Hazardous Substances	U.S. EPA Petroleum
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 133,523	\$ -	\$ -
Assets held in endowment	-	453,471	-	-
Receivables				
Delinquent taxes	-	-	-	-
Accounts	3,537	46,642	-	-
Loans (net)	-	-	-	-
Intergovernmental	117,484	-	7,698	465
Prepaid items	1,356	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 122,377</b>	<b>\$ 633,636</b>	<b>\$ 7,698</b>	<b>\$ 465</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 48,130	\$ 10,445	\$ -	\$ -
Due to other funds	84,058	-	7,698	465
Due to other governments	-	-	-	-
Salaries payable	1,278	26,840	-	-
<b>TOTAL LIABILITIES</b>	<b>133,466</b>	<b>37,285</b>	<b>7,698</b>	<b>465</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	-	-	-	-
<b>FUND BALANCES</b>				
Nonspendable	1,356	453,471	-	-
Restricted	-	-	-	-
Assigned	-	142,880	-	-
Unassigned	(12,445)	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>(11,089)</b>	<b>596,351</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 122,377</b>	<b>\$ 633,636</b>	<b>\$ 7,698</b>	<b>\$ 465</b>

<b>243</b>	<b>248</b>	<b>272</b>	<b>279</b>	<b>291</b>	<b>299</b>	Total
DTED	Sister	Tax	Tax	Inspection	Library	Nonmajor
Loan	Cities	Increment	Increment		Memorial	Special
		District # 2	District # 7			Revenue
\$ 259,079	\$ 10,285	\$ -	\$ 2,119	\$ 29,237	\$ 19,986	\$ 454,229
-	-	-	-	-	-	453,471
-	-	11,551	-	-	-	11,551
-	-	-	-	3,635	-	53,814
265,284	-	-	-	-	-	265,284
-	-	9	-	-	-	125,656
-	-	-	-	-	-	1,356
<u>\$ 524,363</u>	<u>\$ 10,285</u>	<u>\$ 11,560</u>	<u>\$ 2,119</u>	<u>\$ 32,872</u>	<u>\$ 19,986</u>	<u>\$ 1,365,361</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,494	\$ -	\$ 60,069
-	-	-	-	-	-	92,221
-	-	9	-	179	-	188
-	-	-	-	7,580	-	35,698
-	-	9	-	9,253	-	188,176
-	-	11,551	-	-	-	11,551
-	-	-	-	-	-	454,827
524,363	10,285	-	2,119	-	19,986	556,753
-	-	-	-	23,619	-	166,499
-	-	-	-	-	-	(12,445)
<u>524,363</u>	<u>10,285</u>	<u>-</u>	<u>2,119</u>	<u>23,619</u>	<u>19,986</u>	<u>1,165,634</u>
<u>\$ 524,363</u>	<u>\$ 10,285</u>	<u>\$ 11,560</u>	<u>\$ 2,119</u>	<u>\$ 32,872</u>	<u>\$ 19,986</u>	<u>\$ 1,365,361</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, 2012

	209	211	221	222
	Airport	Library	U.S. EPA Hazardous Substances	U.S. EPA Petroleum
REVENUES				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
Federal	114,396	-	68,691	9,521
State	192,402	9,151	-	-
County	-	93,567	-	-
Charges for services				
General government	-	5,982	-	-
Public safety	-	-	-	-
Culture and recreation	-	4,076	-	-
Fines and forfeits	-	9,668	-	-
Investment income	-	53,169	-	-
Miscellaneous				
Rents	24,000	-	-	-
Lease payments received	40,326	-	-	-
Contributions and donations	-	7,374	-	-
Other	18,597	5,040	-	-
<b>TOTAL REVENUES</b>	<b>389,721</b>	<b>188,027</b>	<b>68,691</b>	<b>9,521</b>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	68,691	9,521
Culture and recreation	-	923,201	-	-
Economic development	-	-	-	-
Airport	219,222	-	-	-
Capital outlay				
Culture and recreation	-	461,293	-	-
Airport	310,471	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>529,693</b>	<b>1,384,494</b>	<b>68,691</b>	<b>9,521</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(139,972)	(1,196,467)	-	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	14,250	-	-	-
Transfers in	154,973	856,362	-	-
Bonds issued	-	412,710	-	-
Transfers out	(17,767)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>151,456</b>	<b>1,269,072</b>	<b>-</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	11,484	72,605	-	-
FUND BALANCES, JANUARY 1	(22,573)	523,746	-	-
FUND BALANCES, DECEMBER 31	<u>\$ (11,089)</u>	<u>\$ 596,351</u>	<u>\$ -</u>	<u>\$ -</u>

243 DTED Loan	248 Sister Cities	272 Tax Increment District # 2	279 Tax Increment District # 7	291 Inspection	299 Library Memorial	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ 182,081	\$ -	\$ -	\$ 182,081
-	-	-	-	147,085	-	147,085
-	-	-	-	-	-	192,608
-	-	-	-	-	-	201,553
-	-	-	-	-	-	93,567
-	-	-	-	-	-	5,982
-	-	-	-	33,672	-	33,672
-	-	-	-	-	-	4,076
-	-	-	-	-	-	9,668
1,166	-	-	-	-	-	54,335
-	-	-	-	-	-	24,000
-	-	-	-	-	-	40,326
-	4,061	-	-	-	7,230	18,665
-	321	-	-	-	-	23,958
<u>1,166</u>	<u>4,382</u>	<u>-</u>	<u>182,081</u>	<u>180,757</u>	<u>7,230</u>	<u>1,031,576</u>
-	-	-	-	237,917	-	237,917
-	-	-	-	-	-	78,212
-	1,875	-	-	-	-	925,076
-	-	-	242,825	-	-	242,825
-	-	-	-	-	-	219,222
-	-	-	-	-	-	461,293
-	-	-	-	-	-	310,471
-	<u>1,875</u>	<u>-</u>	<u>242,825</u>	<u>237,917</u>	<u>-</u>	<u>2,475,016</u>
<u>1,166</u>	<u>2,507</u>	<u>-</u>	<u>(60,744)</u>	<u>(57,160)</u>	<u>7,230</u>	<u>(1,443,440)</u>
-	-	-	-	-	-	14,250
-	-	-	-	74,773	-	1,086,108
-	-	-	-	-	-	412,710
-	-	-	-	-	-	(17,767)
-	-	-	-	<u>74,773</u>	<u>-</u>	<u>1,495,301</u>
1,166	2,507	-	(60,744)	17,613	7,230	51,861
<u>523,197</u>	<u>7,778</u>	<u>-</u>	<u>62,863</u>	<u>6,006</u>	<u>12,756</u>	<u>1,113,773</u>
<u>\$ 524,363</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 2,119</u>	<u>\$ 23,619</u>	<u>\$ 19,986</u>	<u>\$ 1,165,634</u>

CITY OF RED WING, MINNESOTA  
 AIRPORT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2012  
 With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental					
Federal	\$ -	\$ -	\$ 114,396	\$ 114,396	\$ 601
State	201,235	294,735	192,402	(102,333)	50,881
Miscellaneous revenues					
Rents	30,000	30,000	24,000	(6,000)	30,000
Lease payments received	30,000	30,000	40,326	10,326	34,174
Other	22,000	22,000	18,597	(3,403)	16,859
TOTAL REVENUES	<u>283,235</u>	<u>376,735</u>	<u>389,721</u>	<u>12,986</u>	<u>132,515</u>
EXPENDITURES					
Current					
Airport					
Personal services	29,463	29,463	29,750	(287)	30,952
Supplies	34,750	34,750	30,567	4,183	34,029
Other services and charges	145,567	145,567	158,905	(13,338)	166,365
Capital outlay	184,000	321,928	310,471	11,457	35,527
TOTAL EXPENDITURES	<u>393,780</u>	<u>531,708</u>	<u>529,693</u>	<u>2,015</u>	<u>266,873</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(110,545)</u>	<u>(154,973)</u>	<u>(139,972)</u>	<u>15,001</u>	<u>(134,358)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	14,250	14,250	-
Transfers out	-	(17,767)	(17,767)	-	-
Transfers in	110,545	154,973	154,973	-	171,060
TOTAL OTHER FINANCING SOURCES (USES)	<u>110,545</u>	<u>137,206</u>	<u>151,456</u>	<u>14,250</u>	<u>171,060</u>
NET CHANGE IN FUND BALANCES	-	(17,767)	11,484	29,251	36,702
FUND BALANCES, JANUARY 1	<u>(22,573)</u>	<u>(22,573)</u>	<u>(22,573)</u>	<u>-</u>	<u>(59,275)</u>
FUND BALANCES, DECEMBER 31	<u>\$ (22,573)</u>	<u>\$ (40,340)</u>	<u>\$ (11,089)</u>	<u>\$ 29,251</u>	<u>\$ (22,573)</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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental					
State	\$ -	\$ 6,900	\$ 9,151	\$ 2,251	\$ 2,121
County	93,283	93,283	93,567	284	85,065
Charges for services					
General government	6,000	6,000	5,982	(18)	5,530
Culture and recreation	3,500	3,500	4,076	576	3,590
Fines and forfeits	14,000	14,000	9,668	(4,332)	12,021
Investment income	29,000	29,000	53,169	24,169	7,013
Miscellaneous revenues					
Contributions and donations	1,350	1,350	7,374	6,024	19,620
Other	10,000	10,000	5,040	(4,960)	18,538
TOTAL REVENUES	<u>157,133</u>	<u>164,033</u>	<u>188,027</u>	<u>23,994</u>	<u>153,498</u>
EXPENDITURES					
Current					
Culture and recreation					
Library					
Personal services	667,741	657,241	629,243	27,998	747,310
Supplies	27,968	28,068	26,627	1,441	29,203
Other services and charges	274,434	275,621	267,331	8,290	289,782
Capital outlay	400,000	518,487	461,293	57,194	22,625
TOTAL EXPENDITURES	<u>1,370,143</u>	<u>1,479,417</u>	<u>1,384,494</u>	<u>94,923</u>	<u>1,088,920</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,213,010)</u>	<u>(1,315,384)</u>	<u>(1,196,467)</u>	<u>118,917</u>	<u>(935,422)</u>
OTHER FINANCING SOURCES					
Transfers in	796,897	856,897	856,362	(535)	888,408
Bonds issued	400,000	411,531	412,710	1,179	-
TOTAL OTHER FINANCING SOURCES	<u>1,196,897</u>	<u>1,268,428</u>	<u>1,269,072</u>	<u>644</u>	<u>888,408</u>
NET CHANGE IN FUND BALANCES	(16,113)	(46,956)	72,605	119,561	(47,014)
FUND BALANCES, JANUARY 1	<u>523,746</u>	<u>523,746</u>	<u>523,746</u>	<u>-</u>	<u>570,760</u>
FUND BALANCES, DECEMBER 31	<u>\$ 507,633</u>	<u>\$ 476,790</u>	<u>\$ 596,351</u>	<u>\$ 119,561</u>	<u>\$ 523,746</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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Miscellaneous revenues					
Contributions and donations	\$ 8,000	\$ 8,000	\$ 4,061	\$ (3,939)	\$ 1,395
Other	-	-	321	321	1,712
TOTAL REVENUES	<u>8,000</u>	<u>8,000</u>	<u>4,382</u>	<u>(3,618)</u>	<u>3,107</u>
EXPENDITURES					
Current					
Culture and recreation					
Other services and charges	<u>8,000</u>	<u>8,000</u>	<u>1,875</u>	<u>6,125</u>	<u>4,499</u>
NET CHANGE IN FUND BALANCES	-	-	2,507	2,507	(1,392)
FUND BALANCES, JANUARY 1	<u>7,778</u>	<u>7,778</u>	<u>7,778</u>	<u>-</u>	<u>9,170</u>
FUND BALANCES, DECEMBER 31	<u>\$ 7,778</u>	<u>\$ 7,778</u>	<u>\$ 10,285</u>	<u>\$ 2,507</u>	<u>\$ 7,778</u>

CITY OF RED WING, MINNESOTA  
TAX INCREMENT DISTRICT # 7 SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Tax increments	\$ 183,010	\$ 183,010	\$ 182,081	\$ (929)	\$ 172,726
EXPENDITURES					
Current					
Economic development					
Other services and charges	175,360	245,360	242,825	2,535	167,187
NET CHANGE IN FUND BALANCES	7,650	(62,350)	(60,744)	1,606	5,539
FUND BALANCES, JANUARY 1	62,863	62,863	62,863	-	57,324
FUND BALANCES, DECEMBER 31	<u>\$ 70,513</u>	<u>\$ 513</u>	<u>\$ 2,119</u>	<u>\$ 1,606</u>	<u>\$ 62,863</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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Licenses and permits	\$ 156,500	\$ 156,500	\$ 147,085	\$ (9,415)	\$ 113,522
Charges for services - public safety	35,800	35,800	33,672	(2,128)	27,176
TOTAL REVENUES	<u>192,300</u>	<u>192,300</u>	<u>180,757</u>	<u>(11,543)</u>	<u>140,698</u>
EXPENDITURES					
Current					
Public safety					
Inspection					
Personal services	172,753	202,023	179,741	22,282	222,783
Supplies	10,800	10,800	5,386	5,414	4,621
Other services and charges	48,293	48,293	52,790	(4,497)	44,255
TOTAL EXPENDITURES	<u>231,846</u>	<u>261,116</u>	<u>237,917</u>	<u>23,199</u>	<u>271,659</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(39,546)	(68,816)	(57,160)	11,656	(130,961)
OTHER FINANCING USES					
Transfers in	74,773	74,773	74,773	-	71,870
NET CHANGE IN FUND BALANCES	35,227	5,957	17,613	11,656	(59,091)
FUND BALANCES, JANUARY 1	<u>6,006</u>	<u>6,006</u>	<u>6,006</u>	<u>-</u>	<u>65,097</u>
FUND BALANCES, DECEMBER 31	<u>\$ 41,233</u>	<u>\$ 11,963</u>	<u>\$ 23,619</u>	<u>\$ 11,656</u>	<u>\$ 6,006</u>

## 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.

**Aspen Avenue and Highway 61 Access Road** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Aspen Avenue and Highway 61 Access Road.

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

**East 5<sup>th</sup> Street Bridge Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of the East 5<sup>th</sup> Street Bridge.

**Fiber Project** - This fund is used to account for funds received and capital expenditures incurred related to the installation of a fiber optic network within the City.

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

**2009 Street Reconstruction Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Oak Street.

**2011 Street Reconstruction Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Norwood, Hawthorn, Lee and Roosevelt Streets.

**2012 Street Reconstruction Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of 5<sup>th</sup>/6<sup>th</sup>/Buchanan, Jefferson, Summit, and Pleasant View Streets.

**2013 Street Reconstruction Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Fulton/Franklin/Hill/Pine Streets.

**Spring Creek/Highway 61 Intersection** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Spring Creek and Highway 61 Intersection.

**Pine, Prairia and Alley Reconstruction** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Pine and Prairia Streets and Alley reconstruction.

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

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## NONMAJOR CAPITAL PROJECTS FUND - CONTINUED

**Spring Creek Avenue North Extension** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Spring Creek Avenue North Extension.

**Transit Hub** - This fund is used to account for funds received and capital expenditures incurred in the construction of the City's Transit Hub.

**West Avenue Reconstruction** - This fund is used to account for funds received and capital expenditures incurred in the reconstruction of West Avenue.

**Cannon Bottom Road** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Cannon Bottom Road.

**Levee Road (Jackson to Broad) Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Levee Road (Jackson to Broad) Project.

**Spring Creek/TH 61 Access Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Spring Creek and Trunk Highway 61 Access.

**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 prevent future flooding.

**Old Highway 19 Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of Old Highway 19.

**Jackson Street Water Main Project** - This fund is used to account for funds received and capital expenditures incurred in the improvement of the Jackson Street water main.

**TH 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.

**Charlson Crest - Highlands Paving** - This fund is used to account for funds received and capital expenditures incurred in the paving projects of Charlson Crest and the Highlands.

**Moundview Drive** - This fund is used to account for funds received and capital expenditures incurred in the parking & sidewalk improvements on Moundview Drive.

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

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

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

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CITY OF RED WING, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2012

	<b>408</b>	<b>410</b>	<b>414</b>	<b>419</b>	<b>426</b>
	Aspen Avenue and Highway 61 Access Road	Airport Federal Projects	East 5th Street Bridge Project	Fiber Project	Parkland Acquisition
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 785,324	\$ -	\$ -
Receivables					
Accounts	-	-	-	-	-
Intergovernmental	-	26,096	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 26,096</u>	<u>\$ 785,324</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 292,187	\$ -	\$ -
Contracts payable	-	11,746	46,838	-	-
Due to other funds	-	11,737	-	-	15,475
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>23,483</u>	<u>339,025</u>	<u>-</u>	<u>15,475</u>
<b>FUND BALANCES</b>					
Restricted	-	-	141,299	-	-
Committed	-	2,613	305,000	-	-
Unassigned	-	-	-	-	(15,475)
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>2,613</u>	<u>446,299</u>	<u>-</u>	<u>(15,475)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 26,096</u>	<u>\$ 785,324</u>	<u>\$ -</u>	<u>\$ -</u>

429	430	431	432	451	452	453	454	455
2009 Street Reconstruction Project	2011 Street Reconstruction Project	2012 Street Reconstruction Project	2013 Street Reconstruction Project	Spring Creek/ Highway 61 Intersection	Pine, Prairia and Alley Construction	South Service Drive	Spring Creek Avenue North Extension	Transit Hub
\$ -	\$ -	\$ 94,522	\$ -	\$ -	\$ -	\$ 30,000	\$ -	\$ 6,731
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 6,731</u>
\$ -	\$ -	\$ 364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	17,112	-	-	-	-	-	-
-	-	-	86,427	16,229	-	-	-	-
-	-	17,476	86,427	16,229	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	77,046	-	-	-	30,000	-	6,731
-	-	-	(86,427)	(16,229)	-	-	-	-
-	-	77,046	(86,427)	(16,229)	-	30,000	-	6,731
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 6,731</u>

CITY OF RED WING, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2012

	456	457	465	466	467
	West Avenue Reconstruction	Cannon Bottom Road	Levee Road (Jackson to Broad) Project	Spring Creek/ TH 61 Access Project	Sturgeon Lake Road Overpass
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 19,613	\$ -	\$ 10,454
Receivables					
Accounts	-	-	-	-	-
Intergovernmental	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,613</u>	<u>\$ -</u>	<u>\$ 10,454</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-
Due to other funds	7,814	-	-	5,300	-
<b>TOTAL LIABILITIES</b>	<u>7,814</u>	<u>-</u>	<u>-</u>	<u>5,300</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	-	-	-	-	-
Committed	-	-	19,613	-	10,454
Unassigned	(7,814)	-	-	(5,300)	-
<b>TOTAL FUND BALANCES</b>	<u>(7,814)</u>	<u>-</u>	<u>19,613</u>	<u>(5,300)</u>	<u>10,454</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,613</u>	<u>\$ -</u>	<u>\$ 10,454</u>

468	469	470	472	473	497	498	499	Total Nomajor Capital Projects
Old Highway 19 Project	Jackson Street Water Main Project	TH 63 River Crossing Bridge	Charlson Crest-Highlands Paving	Moundview Drive	State Aid Street Overlay	Sidewalk Construction Project	Street and Alley Improvements	
\$ -	\$ -	\$ 152	\$ 5,435	\$ -	\$ -	\$ 8,428	\$ -	\$ 960,659
-	-	-	-	37,004	-	-	-	37,004
339,175	-	-	-	-	-	-	-	365,271
<u>\$ 339,175</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 5,435</u>	<u>\$ 37,004</u>	<u>\$ -</u>	<u>\$ 8,428</u>	<u>\$ -</u>	<u>\$ 1,362,934</u>
\$ -	\$ -	\$ -	\$ 5,435	\$ -	\$ -	\$ -	\$ -	\$ 297,986
17,851	-	-	-	-	-	-	-	93,547
306,428	-	-	-	36,725	-	-	-	486,135
324,279	-	-	5,435	36,725	-	-	-	877,668
-	-	-	-	-	-	-	-	141,299
14,896	-	152	-	279	-	8,428	-	475,212
-	-	-	-	-	-	-	-	(131,245)
14,896	-	152	-	279	-	8,428	-	485,266
<u>\$ 339,175</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 5,435</u>	<u>\$ 37,004</u>	<u>\$ -</u>	<u>\$ 8,428</u>	<u>\$ -</u>	<u>\$ 1,362,934</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, 2012

	408	410	414	419	426
	Aspen Avenue and Highway 61 Access Road	Airport Federal Projects	East 5th Street Bridge Project	Fiber Project	Parkland Acquisition
<b>REVENUES</b>					
Intergovernmental					
Federal	\$ -	\$ 238,107	\$ -	\$ -	\$ -
State	-	-	975,338	-	-
Miscellaneous					
Other	-	-	-	-	1,225
<b>TOTAL REVENUES</b>	<u>-</u>	<u>238,107</u>	<u>975,338</u>	<u>-</u>	<u>1,225</u>
<b>EXPENDITURES</b>					
Current					
Public works	-	-	21,844	-	-
Transit	-	-	-	-	-
Capital outlay					
Public works	-	250,641	1,910,270	-	-
Transit	-	-	-	-	-
Debt service					
Bond issuance costs	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>250,641</u>	<u>1,932,114</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(12,534)</u>	<u>(956,776)</u>	<u>-</u>	<u>1,225</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	-
Transfers in	257	18,267	-	-	-
Bonds issued	-	-	-	-	-
Transfers out	-	-	-	(95)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>257</u>	<u>18,267</u>	<u>-</u>	<u>(95)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	257	5,733	(956,776)	(95)	1,225
<b>FUND BALANCES, JANUARY 1</b>	<u>(257)</u>	<u>(3,120)</u>	<u>1,403,075</u>	<u>95</u>	<u>(16,700)</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ -</u>	<u>\$ 2,613</u>	<u>\$ 446,299</u>	<u>\$ -</u>	<u>\$ (15,475)</u>

429	430	431	432	451	452	453	454	455
2009 Street Reconstruction Project	2011 Street Reconstruction Project	2012 Street Reconstruction Project	2013 Street Reconstruction Project	Spring Creek/ Highway 61 Intersection	Pine, Prairia and Alley Construction	South Service Drive	Spring Creek Avenue North Extension	Transit Hub
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	10,051	-	-	-	2,206	403	-
-	-	-	-	-	-	-	-	269
-	6,349	1,047,083	82,018	56,346	2,509	159,441	33,371	-
-	-	-	-	-	-	-	-	10,000
-	-	16,742	-	1,617	-	-	-	-
-	6,349	1,073,876	82,018	57,963	2,509	161,647	33,774	10,269
-	(6,349)	(1,073,876)	(82,018)	(57,963)	(2,509)	(161,647)	(33,774)	(10,269)
-	-	-	-	-	-	-	60,110	-
-	624,289	604,207	-	-	-	-	15,759	7,000
-	-	599,280	-	57,862	-	-	-	-
(39,078)	(34,279)	-	-	-	(7,491)	(129,220)	-	-
(39,078)	590,010	1,203,487	-	57,862	(7,491)	(129,220)	75,869	7,000
(39,078)	583,661	129,611	(82,018)	(101)	(10,000)	(290,867)	42,095	(3,269)
39,078	(583,661)	(52,565)	(4,409)	(16,128)	10,000	320,867	(42,095)	10,000
\$ -	\$ -	\$ 77,046	\$ (86,427)	\$ (16,229)	\$ -	\$ 30,000	\$ -	\$ 6,731

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, 2012

	456	457	465	466	467
	West Avenue Reconstruction	Cannon Bottom Road	Levee Road (Jackson to Broad) Project	Spring Creek/ TH 61 Access Project	Sturgeon Lake Road Overpass
<b>REVENUES</b>					
Intergovernmental					
Federal	\$ -	\$ -	\$ -	\$ -	\$ 147,123
State	-	-	-	-	-
Miscellaneous					
Other	-	10,000	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>147,123</u>
<b>EXPENDITURES</b>					
Current					
Public works	-	575	-	-	-
Transit	-	-	-	-	-
Capital outlay					
Public works	4,617	159,074	19,262	4,993	142,511
Transit	-	-	-	-	-
Debt service					
Bond issuance costs	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>4,617</u>	<u>159,649</u>	<u>19,262</u>	<u>4,993</u>	<u>142,511</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,617)</u>	<u>(149,649)</u>	<u>(19,262)</u>	<u>(4,993)</u>	<u>4,612</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	-
Transfers in	-	157,288	-	5,000	40,000
Bonds issued	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>157,288</u>	<u>-</u>	<u>5,000</u>	<u>40,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,617)	7,639	(19,262)	7	44,612
<b>FUND BALANCES, JANUARY 1</b>	<u>(3,197)</u>	<u>(7,639)</u>	<u>38,875</u>	<u>(5,307)</u>	<u>(34,158)</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ (7,814)</u>	<u>\$ -</u>	<u>\$ 19,613</u>	<u>\$ (5,300)</u>	<u>\$ 10,454</u>

468	469	470	472	473	497	498	499	Total Nomajor Capital Projects
Old Highway 19 Project	Jackson Street Water Main Project	TH 63 River Crossing Bridge	Charlson Crest-Highlands Paving	Moundview Drive	State Aid Street Overlay	Sidewalk Construction Project	Street and Alley Improvements	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,230
339,175	-	-	-	106,086	-	-	-	1,420,599
260	-	-	-	106,086	-	-	-	117,571
339,435	-	-	-	212,172	-	-	-	1,923,400
980	-	-	118	-	-	487	118	36,782
-	-	-	-	-	-	-	-	269
440,055	383	9,848	121,354	197,939	-	21,260	77,606	4,746,930
-	-	-	-	-	-	-	-	10,000
722	-	-	-	-	-	-	-	19,081
441,757	383	9,848	121,472	197,939	-	21,747	77,724	4,813,062
(102,322)	(383)	(9,848)	(121,472)	14,233	-	(21,747)	(77,724)	(2,889,662)
-	-	-	-	-	-	-	-	60,110
-	383	10,000	121,472	-	-	20,000	137,679	1,761,601
25,831	-	-	-	-	-	-	-	682,973
-	-	-	-	-	(140,534)	-	(257)	(350,954)
25,831	383	10,000	121,472	-	(140,534)	20,000	137,422	2,153,730
(76,491)	-	152	-	14,233	(140,534)	(1,747)	59,698	(735,932)
91,387	-	-	-	(13,954)	140,534	10,175	(59,698)	1,221,198
\$ 14,896	\$ -	\$ 152	\$ -	\$ 279	\$ -	\$ 8,428	\$ -	\$ 485,266

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## NONMAJOR PERMANENT FUNDS

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

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

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

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

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

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CITY OF RED WING, MINNESOTA  
NONMAJOR PERMANENT FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	<b>851</b> Oakwood Care	<b>852</b> Oakwood Flower	<b>853</b> Burnside Care	<b>854</b> Burnside Flower
<b>ASSETS</b>				
Cash and investments	\$ 1,097,400	\$ 739,557	\$ 249,916	\$ 119,554
Receivables				
Accrued interest	7,793	46	-	-
Accounts	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,105,193</u></u>	<u><u>\$ 739,603</u></u>	<u><u>\$ 249,916</u></u>	<u><u>\$ 119,554</u></u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 819,209	\$ 473,988	\$ 184,755	\$ 83,925
Restricted	285,984	265,615	65,161	35,629
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 1,105,193</u></u>	<u><u>\$ 739,603</u></u>	<u><u>\$ 249,916</u></u>	<u><u>\$ 119,554</u></u>

Totals

<u>2012</u>	<u>2011</u>
\$ 2,206,427	\$ 2,130,867
7,839	8,933
<u>-</u>	<u>700</u>
<u>\$ 2,214,266</u>	<u>\$ 2,140,500</u>
\$ 1,561,877	\$ 1,507,662
<u>652,389</u>	<u>632,838</u>
<u>\$ 2,214,266</u>	<u>\$ 2,140,500</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, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	<b>851</b> Oakwood Care	<b>852</b> Oakwood Flower	<b>853</b> Burnside Care	<b>854</b> Burnside Flower
REVENUES				
Investment income	\$ 12,199	\$ 7,173	\$ 45	\$ 48
Miscellaneous				
Burial plot sales	27,056	-	12,390	-
Perpetual contract sales	-	11,565	-	3,290
	<u>39,255</u>	<u>18,738</u>	<u>12,435</u>	<u>3,338</u>
TOTAL REVENUES	39,255	18,738	12,435	3,338
FUND BALANCES, JANUARY 1	<u>1,065,938</u>	<u>720,865</u>	<u>237,481</u>	<u>116,216</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,105,193</u>	<u>\$ 739,603</u>	<u>\$ 249,916</u>	<u>\$ 119,554</u>

Totals

2012		2011	
\$	19,465	\$	42,681
	39,446		47,575
	<u>14,855</u>		<u>16,575</u>
	73,766		106,831
	<u>2,140,500</u>		<u>2,033,669</u>
<u>\$</u>	<u>2,214,266</u>	<u>\$</u>	<u>2,140,500</u>

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## **GENERAL FUND**

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

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CITY OF RED WING, MINNESOTA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and investments	\$ 13,502,863	\$ 11,485,910
Receivables		
Accrued interest	56,904	59,281
Delinquent taxes	262,354	283,994
Accounts	115,661	55,449
Special assessments	-	28,655
Intergovernmental	127,128	135,115
Loans to other governments	40,000	40,000
Due from other funds	1,156,114	4,159,765
Due from component unit	927,608	1,487,961
Loans to component unit	249,632	338,256
TOTAL ASSETS	\$ 16,438,264	\$ 18,074,386
<b>LIABILITIES</b>		
Accounts payable	\$ 489,029	\$ 389,358
Escrow accounts payable	24,975	23,458
Due to other governments	2,401	1,651
Salaries payable	186,940	167,247
Deposits payable	35,601	35,598
Unearned revenue	34,083	32,803
TOTAL LIABILITIES	773,029	650,115
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	262,354	283,994
Unavailable revenue - special assessments	-	28,655
TOTAL DEFERRED INFLOWS OF RESOURCES	262,354	312,649
<b>FUND BALANCES</b>		
Nonspendable	289,632	378,256
Restricted	467,881	179,473
Committed	3,200,000	6,900,000
Unassigned	11,445,368	9,653,893
TOTAL FUND BALANCES	15,402,881	17,111,622
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,438,264	\$ 18,074,386

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CITY OF RED WING, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 13,122,921	\$ 13,122,921	\$ 13,021,465	\$ (101,456)	\$ 12,119,074
Excess tax increments	-	-	3,702	3,702	1,169
Franchise taxes	120,000	120,000	357,416	237,416	148,140
Other taxes	25,250	25,250	30,405	5,155	31,924
Total taxes	<u>13,268,171</u>	<u>13,268,171</u>	<u>13,412,988</u>	<u>144,817</u>	<u>12,300,307</u>
Special assessments	-	-	28,655	28,655	-
Licenses and permits					
Business	47,780	47,780	53,855	6,075	67,192
Nonbusiness	3,330	3,330	6,398	3,068	5,827
Total licenses and permits	<u>51,110</u>	<u>51,110</u>	<u>60,253</u>	<u>9,143</u>	<u>73,019</u>
Intergovernmental					
Federal					
Other Federal aid	65,010	71,010	125,890	54,880	153,947
State					
Local government aid	619,586	619,586	619,586	-	619,595
Property tax credits	-	-	2,395	2,395	30,469
Police aid	196,955	196,955	189,094	(7,861)	197,148
Other State aids	954,834	962,134	965,351	3,217	1,243,613
Total state	<u>1,771,375</u>	<u>1,778,675</u>	<u>1,776,426</u>	<u>(2,249)</u>	<u>2,090,825</u>
County					
Other County aids	78,000	78,000	129,739	51,739	38,452
Total intergovernmental	<u>1,914,385</u>	<u>1,927,685</u>	<u>2,032,055</u>	<u>104,370</u>	<u>2,283,224</u>
Charges for services					
General government	21,300	21,300	104,691	83,391	36,244
Public safety	103,850	118,655	167,618	48,963	182,422
Public works	35,500	35,500	91,318	55,818	50,775
Culture and recreation	99,000	99,000	129,113	30,113	141,573
Transit	78,000	78,000	121,454	43,454	108,952
Total charges for services	<u>337,650</u>	<u>352,455</u>	<u>614,194</u>	<u>261,739</u>	<u>519,966</u>
Fines and forfeits	84,700	84,700	86,136	1,436	101,603
Investment income	160,000	160,000	235,350	75,350	404,410
Miscellaneous					
Interest earned - other	-	-	14,323	14,323	17,915
Rents	55,800	55,800	51,246	(4,554)	55,781
Contributions and donations	25,000	221,000	207,443	(13,557)	76,267
Refunds and reimbursements	-	-	8,193	8,193	162
Other	-	7,200	50,418	43,218	90,943
Total miscellaneous	<u>80,800</u>	<u>284,000</u>	<u>331,623</u>	<u>47,623</u>	<u>241,068</u>
<b>TOTAL REVENUES</b>	<u>15,896,816</u>	<u>16,128,121</u>	<u>16,801,254</u>	<u>673,133</u>	<u>15,923,597</u>

CITY OF RED WING, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

EXPENDITURES	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
General government					
City Council					
Personal services	\$ 60,728	\$ 60,728	\$ 57,406	\$ 3,322	\$ 57,461
Supplies	6,425	6,425	5,269	1,156	8,075
Other services and charges	41,962	41,962	18,975	22,987	28,180
Total City Council	109,115	109,115	81,650	27,465	93,716
Mayor					
Personal services	11,278	11,278	10,607	671	8,638
Supplies	350	350	-	350	442
Other services and charges	5,118	5,118	5,877	(759)	3,556
Total Mayor	16,746	16,746	16,484	262	12,636
Council administration					
Supplies	2,450	2,450	2,581	(131)	2,978
Other services and charges	156,041	156,041	153,434	2,607	149,101
Total council administration	158,491	158,491	156,015	2,476	152,079
Boards and commissions					
Supplies	500	500	370	130	276
Other services and charges	25,375	38,875	24,921	13,954	6,197
Total boards and commissions	25,875	39,375	25,291	14,084	6,473
City clerk					
Personal services	101,130	101,130	96,010	5,120	103,103
Supplies	17,943	17,943	2,084	15,859	2,727
Other services and charges	20,796	20,796	35,676	(14,880)	35,373
Total city clerk	139,869	139,869	133,770	6,099	141,203
Elections and voter registration					
Personal services	27,946	27,946	21,321	6,625	8,313
Supplies	2,200	2,200	556	1,644	2,698
Other services and charges	17,631	17,631	14,653	2,978	12,020
Total elections and voter registration	47,777	47,777	36,530	11,247	23,031
Finance					
Personal services	150,966	150,966	154,448	(3,482)	147,069
Supplies	6,850	6,850	5,300	1,550	5,957
Other services and charges	57,402	57,402	45,777	11,625	55,723
Total finance	215,218	215,218	205,525	9,693	208,749
Audit					
Other services and charges	41,500	41,500	45,936	(4,436)	32,635
Attorney					
Other services and charges	204,800	204,800	206,465	(1,665)	278,969
Communications					
Personal services	22,109	22,109	11,364	10,745	23,406
Supplies	9,764	9,764	6,926	2,838	7,109
Other services and charges	31,090	31,090	36,713	(5,623)	41,243
Total communications	62,963	62,963	55,003	7,960	71,758

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
General government - Continued					
Employee services					
Personal services	\$ 175,806	\$ 175,806	\$ 179,827	\$ (4,021)	\$ 178,007
Supplies	37,300	37,300	16,210	21,090	18,028
Other services and charges	92,145	92,145	113,732	(21,587)	95,999
Total employee services	305,251	305,251	309,769	(4,518)	292,034
Community development					
Personal services	152,704	152,704	142,316	10,388	245,397
Supplies	12,250	12,250	9,096	3,154	11,773
Other services and charges	75,158	56,708	33,559	23,149	51,523
Total community development	240,112	221,662	184,971	36,691	308,693
Government buildings					
Personal services	7,958	7,958	498	7,460	2,459
Supplies	25,900	25,900	21,398	4,502	26,563
Other services and charges	224,433	224,433	158,125	66,308	234,795
Total general government buildings	258,291	258,291	180,021	78,270	263,817
Total general government	1,826,008	1,821,058	1,637,430	183,628	1,885,793
Public safety					
Police					
Personal services	2,861,920	2,876,725	2,853,166	23,559	2,889,855
Supplies	157,000	157,000	156,629	371	174,092
Other services and charges	393,516	393,516	425,694	(32,178)	383,376
Total police	3,412,436	3,427,241	3,435,489	(8,248)	3,447,323
Fire					
Personal services	1,212,214	1,212,214	1,127,751	84,463	1,095,637
Supplies	98,200	99,815	67,446	32,369	127,452
Other services and charges	340,945	357,552	316,557	40,995	280,301
Total fire	1,651,359	1,669,581	1,511,754	157,827	1,503,390
Civil defense					
Personal services	23,103	23,103	23,645	(542)	23,226
Supplies	5,300	5,300	8,008	(2,708)	41,741
Other services and charges	7,555	7,555	3,449	4,106	2,579
Total civil defense	35,958	35,958	35,102	856	67,546
Total public safety	5,099,753	5,132,780	4,982,345	150,435	5,018,259
Public works					
Administration					
Personal services	132,266	132,266	130,758	1,508	127,857
Supplies	37,850	37,850	29,002	8,848	37,812
Other services and charges	203,530	203,530	240,065	(36,535)	448,940
Total administration	373,646	373,646	399,825	(26,179)	614,609
Street maintenance					
Personal services	25,736	25,736	20,368	5,368	15,270
Supplies	458,450	458,450	404,440	54,010	374,213
Other services and charges	621,415	622,249	677,461	(55,212)	654,720
Total street maintenance	1,105,601	1,106,435	1,102,269	4,166	1,044,203

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Public works - Continued					
Snow and ice removal					
Supplies	\$ 195,500	\$ 195,500	\$ 154,384	\$ 41,116	\$ 165,943
Other services and charges	249,731	249,731	164,051	85,680	232,185
Total snow and ice removal	445,231	445,231	318,435	126,796	398,128
Street lighting					
Supplies	89,500	89,500	81,602	7,898	91,117
Other services and charges	289,983	289,983	286,380	3,603	306,356
Total street lighting	379,483	379,483	367,982	11,501	397,473
Parking ramps					
Personal services	6,120	6,120	11,385	(5,265)	3,901
Supplies	10,900	10,900	7,844	3,056	6,724
Other services and charges	107,625	107,625	91,717	15,908	237,755
Total parking ramps	124,645	124,645	110,946	13,699	248,380
Total public works	2,428,606	2,429,440	2,299,457	129,983	2,702,793
Sanitation					
Composting					
Personal services	27,661	27,661	23,442	4,219	25,771
Supplies	12,500	12,500	2,936	9,564	6,387
Other services and charges	17,197	17,197	10,426	6,771	17,055
Total sanitation	57,358	57,358	36,804	20,554	49,213
Culture and recreation					
Parks and boulevards					
Personal services	84,438	84,438	82,316	2,122	89,382
Supplies	205,950	205,950	211,851	(5,901)	269,966
Other services and charges	713,956	713,956	795,077	(81,121)	808,062
Total parks and boulevards	1,004,344	1,004,344	1,089,244	(84,900)	1,167,410
Recreational activities and facilities					
Personal services	7,789	7,789	5,721	2,068	7,979
Supplies	100,700	100,700	79,953	20,747	80,024
Other services and charges	691,603	707,436	636,279	71,157	646,939
Total recreational activities and facilities	800,092	815,925	721,953	93,972	734,942
Total culture and recreation	1,804,436	1,820,269	1,811,197	9,072	1,902,352

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Economic development					
Community development					
Other services and charges	\$ 311,236	\$ 1,016,236	\$ 995,835	\$ 20,401	\$ 259,897
Cemeteries					
Personal services	47,297	47,297	40,793	6,504	35,138
Supplies	69,250	69,250	78,960	(9,710)	62,336
Other services and charges	167,756	167,756	158,153	9,603	162,987
Total cemeteries	284,303	284,303	277,906	6,397	260,461
Transit					
Other services and charges	-	-	-	-	13,869
Contingencies and other					
Other services and charges	487,225	389,717	140,355	249,362	124,213
Total current	12,298,925	12,951,161	12,181,329	769,832	12,216,850
Capital outlay					
General government	407,200	490,223	108,447	381,776	359,243
Public safety	433,848	649,547	385,829	263,718	95,919
Public works	573,700	945,251	640,541	304,710	208,075
Culture and recreation	710,000	1,080,498	612,035	468,463	342,087
Total capital outlay	2,422,748	3,478,103	2,057,505	1,420,598	1,005,324
Debt service					
Principal retirement	50,000	50,000	86,829	(36,829)	82,545
Interest and fiscal charges	46,000	46,000	9,247	36,753	13,531
Total debt service	96,000	96,000	96,076	(76)	96,076
TOTAL EXPENDITURES	14,817,673	16,525,264	14,334,910	2,190,354	13,318,250
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,079,143	(397,143)	2,466,344	2,863,487	2,605,347
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	74,767	74,767	-
Transfers in	370,000	372,500	332,471	(40,029)	442,053
Bonds issued	1,490,423	1,275,613	1,276,467	854	122,167
Transfers out	(3,089,566)	(6,046,297)	(5,858,790)	187,507	(2,550,643)
TOTAL OTHER FINANCING SOURCES (USES)	(1,229,143)	(4,398,184)	(4,175,085)	223,099	(1,986,423)
NET CHANGE IN FUND BALANCES	(150,000)	(4,795,327)	(1,708,741)	3,086,586	618,924
FUND BALANCES, JANUARY 1	17,111,622	17,111,622	17,111,622	-	16,492,698
FUND BALANCES, DECEMBER 31	\$ 16,961,622	\$ 12,316,295	\$ 15,402,881	\$ 3,086,586	\$ 17,111,622

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## **DEBT SERVICE FUNDS**

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

**\$1,835,000 G.O. Improvement 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. Improvement 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.

**\$2,625,000 G.O. Improvement Bonds 2002A** - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street and utility improvements.

**\$5,720,000 G.O. Improvement Bonds 1999C** - This fund is used to account for payment of principal, interest and related costs on long-term debt relative to various street and utility improvements in the Medical-Technical Park.

**\$1,700,000 Golf Course Expansion** - This fund is used to account for the payment of principal, interest and related costs on long-term debt secured to finance the golf course expansion.

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CITY OF RED WING, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	<b>301</b>	<b>302</b>	<b>312</b>	<b>327</b>
	\$1,835,000	\$2,375,000	\$2,625,000 G.O.	\$5,720,000 G.O.
	G.O.	G.O.	Improvement	Improvement
	<u>Bonds 2011A</u>	<u>Bonds 2012A</u>	<u>Bonds 2002A</u>	<u>Bonds 1999C</u>
<b>ASSETS</b>				
Cash and investments	\$ 279,629	\$ 174,456	\$ 256,025	\$ -
Receivables				
Delinquent taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Prepaid items	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 279,629</u>	<u>\$ 174,456</u>	<u>\$ 256,025</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accrued interest payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for debt service	<u>279,629</u>	<u>174,456</u>	<u>256,025</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 279,629</u>	<u>\$ 174,456</u>	<u>\$ 256,025</u>	<u>\$ -</u>

330 \$1,700,000 Golf Course Expansion	Totals	
	2012	2011
\$ -	\$ 710,110	\$ 957,521
-	-	54
-	-	614,157
-	-	6
-	-	10,151
<u>\$ -</u>	<u>\$ 710,110</u>	<u>\$ 1,581,889</u>
\$ -	\$ -	\$ 566
-	-	54
-	-	614,157
-	-	614,211
-	710,110	967,112
<u>\$ -</u>	<u>\$ 710,110</u>	<u>\$ 1,581,889</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, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	<b>301</b> \$1,835,000 G.O. Bonds 2011A	<b>302</b> \$2,375,000 G.O. Bonds 2012A	<b>312</b> \$2,625,000 G.O. Improvement Bonds 2002A	<b>327</b> \$5,720,000 G.O. Improvement Bonds 1999C
<b>REVENUES</b>				
Taxes				
Property taxes	\$ -	\$ -	\$ 5	\$ -
Special assessments	-	-	139,880	474,277
Investment income	-	850	-	-
Rents	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>850</u>	<u>139,885</u>	<u>474,277</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	-	-	250,000	545,000
Interest and fiscal charges	20,138	-	17,151	14,034
Professional services	625	950	200	-
<b>TOTAL EXPENDITURES</b>	<u>20,763</u>	<u>950</u>	<u>267,351</u>	<u>559,034</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(20,763)</u>	<u>(100)</u>	<u>(127,466)</u>	<u>(84,757)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,958	171,706	-	13,908
Bonds issued	-	2,850	-	-
Transfers out	-	-	(486,572)	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>300,958</u>	<u>174,556</u>	<u>(486,572)</u>	<u>13,908</u>
<b>NET CHANGE IN FUND BALANCES</b>	280,195	174,456	(614,038)	(70,849)
<b>FUND BALANCES, JANUARY 1</b>	<u>(566)</u>	<u>-</u>	<u>870,063</u>	<u>70,849</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 279,629</u>	<u>\$ 174,456</u>	<u>\$ 256,025</u>	<u>\$ -</u>

330 \$1,700,000 Golf Course Expansion	Totals	
	2012	2011
\$ -	\$ 5	\$ 36
-	614,157	190,849
-	850	26,713
<u>376,741</u>	<u>376,741</u>	<u>121,812</u>
<u>376,741</u>	<u>991,753</u>	<u>339,410</u>
350,110	1,145,110	927,870
53,397	104,720	128,752
<u>-</u>	<u>1,775</u>	<u>42,954</u>
<u>403,507</u>	<u>1,251,605</u>	<u>1,099,576</u>
<u>(26,766)</u>	<u>(259,852)</u>	<u>(760,166)</u>
-	486,572	190,000
-	2,850	41,588
<u>-</u>	<u>(486,572)</u>	<u>-</u>
<u>-</u>	<u>2,850</u>	<u>231,588</u>
(26,766)	(257,002)	(528,578)
<u>26,766</u>	<u>967,112</u>	<u>1,495,690</u>
<u>\$ -</u>	<u>\$ 710,110</u>	<u>\$ 967,112</u>

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## **INTERNAL SERVICE FUNDS**

Internal Service funds are used to account for the financing of goods of 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 Technology** - This fund is used to account for the operations of the City's IT Department.

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

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

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CITY OF RED WING, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	<b>701</b> Administrative Services	<b>702</b> Central Services	<b>705/708</b> Risk Management	<b>710</b> Information Technology
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 274,135	\$ 773,725	\$ 4,811,710	\$ 462,699
Receivables				
Accrued interest	-	401	9,424	-
Accounts	-	5,775	368	-
Loans	-	-	27,935	-
Inventories	-	37,851	8,226	-
Prepaid items	-	-	268	-
	<u>274,135</u>	<u>817,752</u>	<u>4,857,931</u>	<u>462,699</u>
<b>TOTAL CURRENT ASSETS</b>				
<b>CAPITAL ASSETS</b>				
Buildings	-	7,825	-	-
Machinery and equipment	-	36,221	-	-
Office equipment	-	-	-	42,708
Vehicles	-	371,387	-	-
Less accumulated depreciation	-	(328,526)	-	(42,708)
	<u>-</u>	<u>86,907</u>	<u>-</u>	<u>-</u>
<b>NET CAPITAL ASSETS</b>				
<b>TOTAL ASSETS</b>				
	<u>274,135</u>	<u>904,659</u>	<u>4,857,931</u>	<u>462,699</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	10,731	168,069	248,547	11,845
Salaries payable	49,901	88,951	-	13,155
Compensated absences payable	97,131	130,394	-	21,741
Unearned revenue	-	-	31	-
	<u>157,763</u>	<u>387,414</u>	<u>248,578</u>	<u>46,741</u>
<b>TOTAL CURRENT LIABILITIES</b>				
<b>NONCURRENT LIABILITIES</b>				
Compensated absences payable	116,372	148,226	-	27,524
	<u>116,372</u>	<u>148,226</u>	<u>-</u>	<u>27,524</u>
<b>TOTAL LIABILITIES</b>				
	<u>274,135</u>	<u>535,640</u>	<u>248,578</u>	<u>74,265</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	86,907	-	-
Unrestricted	-	282,112	4,609,353	388,434
	<u>-</u>	<u>282,112</u>	<u>4,609,353</u>	<u>388,434</u>
<b>TOTAL NET POSITION</b>				
	<u>\$ -</u>	<u>\$ 369,019</u>	<u>\$ 4,609,353</u>	<u>\$ 388,434</u>

715 Postemployment Benefits	728 Engineering	Totals	
		2012	2011
\$ 703,141	\$ 512,008	\$ 7,537,418	\$ 7,010,147
84	2,250	12,159	18,918
-	8,210	14,353	3,489
-	-	27,935	23,469
-	-	46,077	69,805
-	-	268	221
<u>703,225</u>	<u>522,468</u>	<u>7,638,210</u>	<u>7,126,049</u>
-	-	7,825	7,825
-	-	36,221	36,221
-	140,884	183,592	172,252
-	75,321	446,708	484,589
-	(162,674)	(533,908)	(556,406)
-	<u>53,531</u>	<u>140,438</u>	<u>144,481</u>
<u>703,225</u>	<u>575,999</u>	<u>7,778,648</u>	<u>7,270,530</u>
-	44,336	483,528	395,637
-	27,654	179,661	186,133
339,201	54,030	642,497	491,602
-	-	31	31
339,201	126,020	1,305,717	1,073,403
<u>364,024</u>	<u>85,072</u>	<u>741,218</u>	<u>868,093</u>
<u>703,225</u>	<u>211,092</u>	<u>2,046,935</u>	<u>1,941,496</u>
-	53,531	140,438	144,481
-	<u>311,376</u>	<u>5,591,275</u>	<u>5,184,553</u>
<u>\$ -</u>	<u>\$ 364,907</u>	<u>\$ 5,731,713</u>	<u>\$ 5,329,034</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, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	<b>701</b> Administrative Services	<b>702</b> Central Services	<b>705/708</b> Risk Management	<b>710</b> Information Technology
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,516,140	\$ 3,292,578	\$ 3,261,431	\$ 593,504
Miscellaneous	362	11,772	168,605	1,939
<b>TOTAL OPERATING REVENUES</b>	<b>1,516,502</b>	<b>3,304,350</b>	<b>3,430,036</b>	<b>595,443</b>
<b>OPERATING EXPENSES</b>				
Personal services	921,697	1,410,012	-	247,412
Employee benefits	300,656	633,329	2,638,213	70,530
Supplies	34,729	454,467	-	83,203
Cost of merchandise sold	-	499,734	-	-
Professional services	199,694	146,605	58,000	50,940
Rent and leased equipment	502	1,037	-	22,751
Repairs and maintenance	7,912	34,538	-	51,486
Administration and fiscal charges	38,591	5,596	-	12,352
Insurance premiums	7,719	8,466	331,884	2,484
Insurance claims	-	-	58,806	-
Depreciation	-	30,776	-	-
Miscellaneous	5,002	35	244,680	1,441
<b>TOTAL OPERATING EXPENSES</b>	<b>1,516,502</b>	<b>3,224,595</b>	<b>3,331,583</b>	<b>542,599</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>79,755</b>	<b>98,453</b>	<b>52,844</b>
<b>NONOPERATING REVENUES</b>				
Investment income	-	2,629	65,625	-
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>-</b>	<b>82,384</b>	<b>164,078</b>	<b>52,844</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS IN</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS OUT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>82,384</b>	<b>164,078</b>	<b>52,844</b>
<b>NET POSITION, JANUARY 1</b>	<b>-</b>	<b>286,635</b>	<b>4,445,275</b>	<b>335,590</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 369,019</b>	<b>\$ 4,609,353</b>	<b>\$ 388,434</b>

715 Postemployment Benefits	728 Engineering	Totals	
		2012	2011
\$ -	\$ 784,653	\$ 9,448,306	\$ 9,884,202
-	3,312	185,990	197,025
-	787,965	9,634,296	10,081,227
-	536,710	3,115,831	3,146,366
-	182,119	3,824,847	3,807,348
-	18,086	590,485	587,696
-	-	499,734	585,838
-	603,382	1,058,621	901,566
-	310	24,600	22,081
-	4,087	98,023	101,653
-	42,647	99,186	103,122
-	4,321	354,874	357,966
-	-	58,806	87,402
-	16,227	47,003	40,439
-	99	251,257	254,913
-	1,407,988	10,023,267	9,996,390
-	(620,023)	(388,971)	84,837
-	-	68,254	80,443
-	(620,023)	(320,717)	165,280
-	-	-	44,363
-	723,396	723,396	561,386
-	-	-	(40,000)
-	103,373	402,679	731,029
-	261,534	5,329,034	4,598,005
<u>\$ -</u>	<u>\$ 364,907</u>	<u>\$ 5,731,713</u>	<u>\$ 5,329,034</u>

CITY OF RED WING, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	<b>701</b> Administrative Services	<b>702</b> Central Services	<b>705/708</b> Risk Management	<b>710</b> Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 1,516,140	\$ 3,291,835	\$ 3,259,520	\$ 593,504
Payments to vendors and suppliers	(306,277)	(1,095,597)	(304,068)	(223,728)
Payments to and on behalf of employees	(1,211,431)	(2,067,804)	(2,993,746)	(312,985)
Other receipts	362	11,772	168,605	1,939
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(1,206)</b>	<b>140,206</b>	<b>130,311</b>	<b>58,730</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Loan payments received	-	-	19,955	-
Loans made	-	-	(24,421)	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(4,466)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments for acquisition and construction of capital assets	-	(31,620)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest receipts	-	2,729	68,784	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,206)</b>	<b>111,315</b>	<b>194,629</b>	<b>58,730</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>275,341</b>	<b>662,410</b>	<b>4,617,081</b>	<b>403,969</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 274,135</b>	<b>\$ 773,725</b>	<b>\$ 4,811,710</b>	<b>\$ 462,699</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ -	\$ 79,755	\$ 98,453	\$ 52,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	30,776	-	-
(Increase) decrease in assets				
Accounts receivable	-	(743)	(1,911)	-
Inventories	-	25,069	(1,341)	-
Prepaid items	-	-	(47)	-
Increase (decrease) in liabilities				
Accounts payable	(12,128)	29,812	35,157	(1,555)
Salaries payable	1,932	(14,380)	-	3,011
Unearned revenue	-	-	-	-
Compensated absences payable	8,990	(10,083)	-	4,430
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (1,206)</b>	<b>\$ 140,206</b>	<b>\$ 130,311</b>	<b>\$ 58,730</b>

715 Postemployment Benefits	728 Engineering	Totals	
		2012	2011
\$ -	\$ 776,443	\$ 9,437,442	\$ 9,883,142
-	(636,327)	(2,565,997)	(2,546,534)
(2,938)	(692,243)	(7,281,147)	(7,362,568)
-	3,312	185,990	197,025
<u>(2,938)</u>	<u>(548,815)</u>	<u>(223,712)</u>	<u>171,065</u>
-	-	19,955	21,726
-	-	(24,421)	(14,814)
-	723,396	723,396	561,386
-	-	-	(40,000)
<u>-</u>	<u>723,396</u>	<u>718,930</u>	<u>528,298</u>
-	(11,340)	(42,960)	(54,440)
<u>5,750</u>	<u>(2,250)</u>	<u>75,013</u>	<u>79,494</u>
2,812	160,991	527,271	724,417
<u>700,329</u>	<u>351,017</u>	<u>7,010,147</u>	<u>6,285,730</u>
<u>\$ 703,141</u>	<u>\$ 512,008</u>	<u>\$ 7,537,418</u>	<u>\$ 7,010,147</u>
\$ -	\$ (620,023)	\$ (388,971)	\$ 84,837
-	16,227	47,003	40,439
-	(8,210)	(10,864)	(1,091)
-	-	23,728	(34,900)
-	-	(47)	177
-	36,605	87,891	80,661
-	2,965	(6,472)	57,383
-	-	-	31
<u>(2,938)</u>	<u>23,621</u>	<u>24,020</u>	<u>(56,472)</u>
<u>\$ (2,938)</u>	<u>\$ (548,815)</u>	<u>\$ (223,712)</u>	<u>\$ 171,065</u>

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## **AGENCY FUNDS**

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

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

**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.

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

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

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

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CITY OF RED WING, MINNESOTA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS - CONTINUED ON THE FOLLOWING PAGES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>FRIENDS OF THE FOX (801)</u></b>				
ASSETS				
Cash and investments	\$ 2,089	\$ -	\$ -	\$ 2,089
LIABILITIES				
Accounts payable	\$ 2,089	\$ -	\$ -	\$ 2,089
<b><u>FLEX ACCOUNT (804)</u></b>				
ASSETS				
Cash and investments	\$ 29,023	\$ 178,995	\$ 171,754	\$ 36,264
Accounts receivable	2,363	-	-	2,363
TOTAL ASSETS	<u>\$ 31,386</u>	<u>\$ 178,995</u>	<u>\$ 171,754</u>	<u>\$ 38,627</u>
LIABILITIES				
Due to other governments	\$ 40,000	\$ -	\$ -	\$ 40,000
Salaries payable	(8,614)	178,995	171,754	(1,373)
TOTAL LIABILITIES	<u>\$ 31,386</u>	<u>\$ 178,995</u>	<u>\$ 171,754</u>	<u>\$ 38,627</u>
<b><u>LODGING TAX (806)</u></b>				
ASSETS				
Cash and investments	\$ -	\$ 194,274	\$ 194,274	\$ -
Unbilled accounts receivable	10,441	11,262	10,441	11,262
TOTAL ASSETS	<u>\$ 10,441</u>	<u>\$ 205,536</u>	<u>\$ 204,715</u>	<u>\$ 11,262</u>
LIABILITIES				
Accounts payable	\$ 10,441	\$ 195,063	\$ 194,242	\$ 11,262
<b><u>CANNON VALLEY BIKE TRAIL (808)</u></b>				
ASSETS				
Cash and investments	\$ 476,247	\$ 242,157	\$ 321,176	\$ 397,228
Petty cash and change funds	400	-	-	400
Intergovernmental	253	77,194	253	77,194
Unbilled accounts receivable	1,195	313	1,195	313
TOTAL ASSETS	<u>\$ 478,095</u>	<u>\$ 319,664</u>	<u>\$ 322,624</u>	<u>\$ 475,135</u>
LIABILITIES				
Accounts payable	\$ 69,122	\$ 277,918	\$ 311,555	\$ 35,485
Due to other governments	408,973	41,746	11,069	439,650
TOTAL LIABILITIES	<u>\$ 478,095</u>	<u>\$ 319,664</u>	<u>\$ 322,624</u>	<u>\$ 475,135</u>

CITY OF RED WING, MINNESOTA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SHELDON AUDITORIUM (810)</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 85,353	\$ 952,020	\$ 939,905	\$ 97,468
Assets held in endowment	2,354,997	345,804	198,777	2,502,024
Petty cash and change funds	1,925	-	-	1,925
Accounts receivable	49,806	-	49,806	-
Other assets	9,240	26,638	29,260	6,618
<b>TOTAL ASSETS</b>	<b><u>\$ 2,501,321</u></b>	<b><u>\$ 1,324,462</u></b>	<b><u>\$ 1,217,748</u></b>	<b><u>\$ 2,608,035</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 14,100	\$ 586,693	\$ 585,068	\$ 15,725
Due to other governments	2,397,655	103,931	6,403	2,495,183
Salaries payable	15,530	353,853	355,610	13,773
Compensated absences payable	36,223	18,449	14,520	40,152
Other liabilities	37,813	261,536	256,147	43,202
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,501,321</u></b>	<b><u>\$ 1,324,462</u></b>	<b><u>\$ 1,217,748</u></b>	<b><u>\$ 2,608,035</u></b>
<b><u>RED WING 2020 (825)</u></b>				
<b>ASSETS</b>				
Cash and investments	<u>\$ (178)</u>	<u>\$ 2,500</u>	<u>\$ 1,261</u>	<u>\$ 1,061</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ (178)</u>	<u>\$ 997</u>	<u>\$ (242)</u>	<u>\$ 1,061</u>
<b><u>COALITION OF UTILITY CITIES (840)</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 160,204	\$ 95,297	\$ 71,020	\$ 184,481
Accounts receivable	22,769	95,000	95,297	22,472
<b>TOTAL ASSETS</b>	<b><u>\$ 182,973</u></b>	<b><u>\$ 190,297</u></b>	<b><u>\$ 166,317</u></b>	<b><u>\$ 206,953</u></b>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 182,973</u>	<u>\$ 190,297</u>	<u>\$ 166,317</u>	<u>\$ 206,953</u>

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CITY OF RED WING, MINNESOTA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>LOCAL GOVERNMENT UTILITY (845)</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,129	\$ -	\$ -	\$ 1,129
<b>LIABILITIES</b>				
Accounts payable	\$ 1,129	\$ -	\$ -	\$ 1,129
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 753,867	\$ 1,665,243	\$ 1,699,390	\$ 719,720
Assets held in endowment	2,354,997	345,804	198,777	2,502,024
Petty cash and change funds	2,325	-	-	2,325
Accounts receivable	74,938	95,000	145,103	24,835
Intergovernmental receivable	253	77,194	253	77,194
Unbilled accounts receivable	11,636	11,575	11,636	11,575
Other assets	9,240	26,638	29,260	6,618
<b>TOTAL ASSETS</b>	<b>\$ 3,207,256</b>	<b>\$ 2,221,454</b>	<b>\$ 2,084,419</b>	<b>\$ 3,344,291</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 279,676	\$ 1,250,968	\$ 1,256,940	\$ 273,704
Due to other governments	2,846,628	145,677	17,472	2,974,833
Salaries payable	6,916	532,848	527,364	12,400
Compensated absences payable	36,223	18,449	14,520	40,152
Other liabilities	37,813	261,536	256,147	43,202
<b>TOTAL LIABILITIES</b>	<b>\$ 3,207,256</b>	<b>\$ 2,209,478</b>	<b>\$ 2,072,443</b>	<b>\$ 3,344,291</b>

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**DISCRETELY PRESENTED COMPONENT UNIT  
PORT AUTHORITY**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF RED WING, MINNESOTA  
DISCRETETLY PRESENTED COMPONENT UNIT - PORT AUTHORITY  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	236 Port Authority General	Special Revenue		Totals		
		231 Industrial Loan	232 Micro Loan	233 Intermediary Relending	2012	2011
<b>ASSETS</b>						
Cash and cash equivalents	\$ 600	\$ 300,092	\$ 50,887	\$ 736,896	\$ 1,088,475	\$ 1,055,513
Receivables						
Accrued interest	-	2,380	-	-	2,380	1,167
Delinquent taxes	6,140	-	-	-	6,140	6,683
Loans	-	968,034	39,320	213,948	1,221,302	1,257,809
Intergovernmental	2,814	-	-	-	2,814	1,942
Advance to other funds	-	48,591	-	-	48,591	63,253
Land held for resale	2,818,705	-	-	-	2,818,705	2,818,705
<b>TOTAL ASSETS</b>	<b>\$ 2,828,259</b>	<b>\$ 1,319,097</b>	<b>\$ 90,207</b>	<b>\$ 950,844</b>	<b>\$ 5,188,407</b>	<b>\$ 5,205,072</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 10,135	\$ -	\$ -	\$ -	\$ 10,135	\$ 700
Escrow payable	-	-	-	-	-	5,000
Due to primary government	927,608	-	-	-	927,608	1,487,961
Due to other governments	-	-	-	509,506	509,506	548,964
Advances from other funds	48,591	-	-	-	48,591	63,253
Loans from primary government	1,541,559	24,502	-	-	1,566,061	1,759,518
Salaries payable	10,930	-	-	-	10,930	3,725
<b>TOTAL LIABILITIES</b>	<b>2,538,823</b>	<b>24,502</b>	<b>-</b>	<b>509,506</b>	<b>3,072,831</b>	<b>3,869,121</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - taxes	6,140	-	-	-	6,140	6,683
<b>FUND BALANCES</b>						
Nonspendable	2,818,705	-	-	-	2,818,705	2,818,705
Restricted	-	1,294,595	90,207	441,338	1,826,140	1,795,134
Unassigned	(2,535,409)	-	-	-	(2,535,409)	(3,284,571)
<b>TOTAL FUND BALANCES</b>	<b>283,296</b>	<b>1,294,595</b>	<b>90,207</b>	<b>441,338</b>	<b>2,109,436</b>	<b>1,329,268</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,828,259</b>	<b>\$ 1,319,097</b>	<b>\$ 90,207</b>	<b>\$ 950,844</b>	<b>\$ 5,188,407</b>	<b>\$ 5,205,072</b>
Fund balances - governmental funds from above					\$ 2,109,436	\$ 1,329,268
Amounts reported for governmental activities in the statement of net position are different because						
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.						
					265,042	265,042
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					(27,543)	(18,730)
Other postemployment benefits obligation					(14,597)	(12,668)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.						
Delinquent property taxes receivable					6,140	6,683
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.						
					25,263	28,529
Total net position - governmental activities					<u>\$ 2,363,741</u>	<u>\$ 1,598,124</u>

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, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	Special Revenue				Totals	
	236 Port Authority General	231 Industrial Loan	232 Micro Loan	233 Intermediary Relending	2012	2011
<b>REVENUES</b>						
Taxes						
Property taxes	\$ 307,326	\$ -	\$ -	\$ -	\$ 307,326	\$ 295,534
Other taxes	693	-	-	-	693	746
Intergovernmental						
State	21,935	-	-	-	21,935	15,148
Charges for services						
General government	13,250	-	-	-	13,250	13,250
Investment income	-	10,167	-	551	10,718	3,859
Miscellaneous revenues						
Lease payments received	185,718	-	-	-	185,718	204,180
Interest on notes and loans	-	16,099	2,168	17,908	36,175	34,927
Refunds and reimbursements	1,772	-	-	-	1,772	56
Other	5,592	-	-	-	5,592	53,883
Contribution from primary government	947,734	-	-	-	947,734	215,000
<b>TOTAL REVENUES</b>	<b>1,484,020</b>	<b>26,266</b>	<b>2,168</b>	<b>18,459</b>	<b>1,530,913</b>	<b>836,583</b>
<b>EXPENDITURES</b>						
Current						
Economic development						
Personal services	170,009	-	-	-	170,009	276,442
Supplies	5,021	-	-	-	5,021	3,798
Other services and charges	525,537	-	-	12,960	538,497	355,494
Debt service						
Interest and fiscal charges	34,291	1,255	-	1,672	37,218	44,054
<b>TOTAL EXPENDITURES</b>	<b>734,858</b>	<b>1,255</b>	<b>-</b>	<b>14,632</b>	<b>750,745</b>	<b>679,788</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>749,162</b>	<b>25,011</b>	<b>2,168</b>	<b>3,827</b>	<b>780,168</b>	<b>156,795</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>(465,866)</b>	<b>1,269,584</b>	<b>88,039</b>	<b>437,511</b>	<b>1,329,268</b>	<b>1,172,473</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 283,296</b>	<b>\$ 1,294,595</b>	<b>\$ 90,207</b>	<b>\$ 441,338</b>	<b>\$ 2,109,436</b>	<b>\$ 1,329,268</b>
Net change in fund balances - governmental funds from above					\$ 780,168	\$ 156,795
Amounts reported for governmental activities in the statement of activities are different because						
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					(543)	(38)
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					(8,813)	27,979
Other postemployment benefits cost					(1,929)	(3,156)
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.						
					(3,266)	7,642
Change in net position - governmental activities					<u>\$ 765,617</u>	<u>\$ 189,222</u>

CITY OF RED WING, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Totals		Percent Increase (Decrease)
	2012	2011	
<b>REVENUES</b>			
Taxes	\$ 13,595,074	\$ 12,475,584	8.97 %
Special assessments	1,183,707	500,460	136.52
Licenses and permits	207,338	186,541	11.15
Intergovernmental	4,876,778	3,474,515	40.36
Charges for services	657,924	556,262	18.28
Fines and forfeits	95,804	113,624	(15.68)
Investment earnings	575,882	1,158,794	(50.30)
Interest earned - other	35,978	42,208	(14.76)
Miscellaneous	973,166	539,205	80.48
<b>TOTAL REVENUES</b>	<b>\$ 22,201,651</b>	<b>\$ 19,047,193</b>	16.56 %
Per Capita	\$ 1,351	\$ 1,157	16.75 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 1,637,430	\$ 1,885,793	(13.17) %
Public safety	5,220,262	5,289,918	(1.32)
Public works	3,234,677	2,779,132	16.39
Sanitation	36,804	49,213	(25.21)
Culture and recreation	2,736,273	2,973,146	(7.97)
Economic development	1,238,660	429,599	188.33
Airport	219,222	231,346	(5.24)
Transit	269	13,869	(98.06)
Cemeteries	277,906	260,461	6.70
Unallocated	140,355	124,213	13.00
Capital outlay			
General government	108,447	359,243	(69.81)
Public safety	385,829	95,919	302.24
Public works	5,387,471	2,326,781	131.54
Culture and recreation	1,073,328	364,712	194.29
Airport	310,471	35,527	773.90
Debt service			
Principal	1,231,939	1,010,415	21.92
Interest and other charges	115,742	185,237	(37.52)
Bond issuance costs	19,081	-	100.00
<b>TOTAL EXPENDITURES</b>	<b>\$ 23,694,819</b>	<b>\$ 18,414,524</b>	28.67 %
Per Capita	\$ 1,442	\$ 1,119	28.89 %
Total Long-term Indebtedness	\$ 5,279,778	\$ 4,136,717	27.63 %
Per Capita	321	251	27.84
General Fund Balance - December 31	\$ 15,402,881	\$ 17,111,622	(9.99) %
Per Capita	937	1,040	(9.84)

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

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# STATISTICAL SECTION (UNAUDITED)

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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**CITY OF RED WING, MINNESOTA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental activities</b>					
Net investment in capital assets	\$ 7,760,449	\$ 24,655,091	\$ 23,945,471	\$ 29,338,479	\$ 30,316,216
Restricted	18,935,421	17,737,323	15,319,497	14,233,395	14,529,715
Unrestricted	17,804,823	26,054,799	27,686,177	26,976,616	29,042,767
<b>Total governmental activities net position</b>	<b>\$ 44,500,693</b>	<b>\$ 68,447,213</b>	<b>\$ 66,951,145</b>	<b>\$ 70,548,490</b>	<b>\$ 73,888,698</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 13,991,332	\$ 15,067,237	\$ 17,882,430	\$ 19,855,939	\$ 25,115,974
Restricted	198,504	219,491	245,288	263,918	277,918
Unrestricted	12,850,244	15,935,499	17,911,716	16,817,578	17,700,932
<b>Total business-type activities net position</b>	<b>\$ 27,040,080</b>	<b>\$ 31,222,227</b>	<b>\$ 36,039,434</b>	<b>\$ 36,937,435</b>	<b>\$ 43,094,824</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 21,751,781	\$ 39,722,328	\$ 41,827,901	\$ 49,194,418	\$ 55,432,190
Restricted	19,133,925	17,956,814	15,564,785	14,497,313	14,807,633
Unrestricted	30,655,067	41,990,298	45,597,893	43,794,194	46,743,699
<b>Total primary government net position</b>	<b>\$ 71,540,773</b>	<b>\$ 99,669,440</b>	<b>\$ 102,990,579</b>	<b>\$ 107,485,925</b>	<b>\$ 116,983,522</b>

Starting in 2008, the Port Authority is accounted for as a discretely presented component unit and not included after 2007.

Table 1

Fiscal Year				
2008	2009	2010	2011	2012
\$ 35,498,581	\$ 33,868,669	\$ 35,233,880	\$ 35,820,191	\$ 38,453,702
13,635,221	14,322,109	13,566,492	15,311,936	13,650,753
27,773,140	29,360,417	31,603,457	30,782,252	31,159,022
<u>\$ 76,906,942</u>	<u>\$ 77,551,195</u>	<u>\$ 80,403,829</u>	<u>\$ 81,914,379</u>	<u>\$ 83,263,477</u>
\$ 24,924,003	\$ 30,344,747	\$ 31,280,810	\$ 32,865,281	\$ 35,251,711
291,918	309,980	328,042	346,104	364,166
18,705,283	16,725,336	15,808,643	14,168,386	15,314,254
<u>\$ 43,921,204</u>	<u>\$ 47,380,063</u>	<u>\$ 47,417,495</u>	<u>\$ 47,379,771</u>	<u>\$ 50,930,131</u>
\$ 60,422,584	\$ 64,213,416	\$ 66,514,690	\$ 68,685,472	\$ 73,705,413
13,927,139	14,632,089	13,894,534	15,658,040	14,014,919
46,478,423	46,085,753	47,412,100	44,950,638	46,473,276
<u>\$ 120,828,146</u>	<u>\$ 124,931,258</u>	<u>\$ 127,821,324</u>	<u>\$ 129,294,150</u>	<u>\$ 134,193,608</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				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
<b>Governmental activities</b>					
General government	\$ 2,217,142	\$ 2,386,462	\$ 2,714,085	\$ 3,368,303	\$ 3,227,516
Public safety	5,735,205	5,748,620	4,218,243	4,839,369	5,087,522
Public works	3,395,326	3,867,935	5,366,686	4,267,419	5,017,458
Storm water	-	-	58,641	110,620	232,518
Sanitation	40,430	70,880	61,521	64,597	38,409
Culture and recreation	2,533,040	2,930,167	2,506,566	2,624,795	2,764,318
Urban development	176,152	198,541	-	-	-
Economic development	1,385,282	2,508,145	648,666	1,096,297	1,022,289
Airport	388,472	700,292	1,087,516	1,137,212	1,128,910
Transit	359,219	374,147	51,619	79,820	17,516
Cemeteries	287,923	284,277	381,364	332,493	332,831
Interest on long-term debt	783,330	703,991	562,269	492,908	415,303
Total governmental activities expenses	<u>17,301,521</u>	<u>19,773,457</u>	<u>17,657,176</u>	<u>18,413,833</u>	<u>19,284,590</u>
<b>Business-type activities</b>					
Ambulance	-	-	1,823,179	2,149,463	2,518,224
Refuse collection and recycling	1,184,851	1,361,887	1,397,393	1,477,582	1,599,803
Water	1,386,364	1,789,599	1,879,768	2,342,297	2,423,986
Sewer	2,268,713	2,475,537	2,519,879	2,750,496	3,530,022
Storm water	-	-	-	-	-
Incinerator	1,796,429	1,717,381	1,957,313	2,508,366	2,955,362
Marina	602,056	713,089	750,342	753,225	786,144
Total business-type activities expenses	<u>7,238,413</u>	<u>8,057,493</u>	<u>10,327,874</u>	<u>11,981,429</u>	<u>13,813,541</u>
Total primary government expenses	<u>\$ 24,539,934</u>	<u>\$ 27,830,950</u>	<u>\$ 27,985,050</u>	<u>\$ 30,395,262</u>	<u>\$ 33,098,131</u>

Table 2

Fiscal Year				
2008	2009	2010	2011	2012
\$ 3,413,474	\$ 3,312,304	\$ 2,802,055	\$ 2,120,072	\$ 1,904,155
5,815,304	5,741,518	5,437,702	5,364,753	5,405,760
5,108,570	4,648,198	5,029,668	4,668,262	5,269,097
395,617	335,811	294,734	-	-
36,262	35,771	41,256	48,509	36,645
3,498,954	3,069,402	3,183,989	3,410,754	3,235,484
-	-	-	-	-
149,406	607,341	406,373	429,599	1,238,660
1,136,163	1,136,300	654,954	642,992	645,686
42,298	22,603	-	13,869	10,269
424,331	277,854	247,108	273,316	291,059
349,139	252,562	182,266	168,349	141,251
<u>20,369,518</u>	<u>19,439,664</u>	<u>18,280,105</u>	<u>17,140,475</u>	<u>18,178,066</u>
2,937,169	3,387,037	3,362,868	3,600,515	3,508,100
1,747,022	1,771,792	1,776,307	1,810,551	1,934,248
2,829,671	2,927,250	2,838,949	2,913,991	3,010,641
3,429,651	3,566,878	3,724,271	4,121,737	3,678,557
-	-	-	711,061	674,328
2,801,961	2,940,549	3,042,167	3,267,775	3,077,122
720,786	698,809	737,230	728,269	671,424
<u>14,466,260</u>	<u>15,292,315</u>	<u>15,481,792</u>	<u>17,153,899</u>	<u>16,554,420</u>
<u>\$ 34,835,778</u>	<u>\$ 34,731,979</u>	<u>\$ 33,761,897</u>	<u>\$ 34,294,374</u>	<u>\$ 34,732,486</u>

**CITY OF RED WING, MINNESOTA**  
**CHANGES IN NET POSITION - CONTINUED**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Program revenue</b>					
Governmental activities					
Charges for services					
General government	\$ 558,289	\$ 591,551	\$ 648,785	\$ 626,333	\$ 650,000
Public safety	2,471,055	2,233,768	669,270	686,646	610,429
Public works	394,020	550,368	564,397	603,775	606,123
Storm water	-	-	-	5,552	1,000
Sanitation	-	1,950	-	-	-
Culture and recreation	342,608	308,690	408,012	344,010	341,334
Economic development	711,708	3,063,999	273,941	262,757	334,970
Airport	36,469	55,252	46,454	47,167	56,945
Transit	51,697	49,494	2,380	-	-
Cemeteries	135,219	109,675	128,220	128,810	132,158
Operating grants and contributions	809,179	891,609	965,566	1,266,614	939,088
Capital grants and contributions	3,979,997	2,023,502	1,368,814	2,434,744	1,425,629
Total governmental activities program revenues	<u>9,490,241</u>	<u>9,879,858</u>	<u>5,075,839</u>	<u>6,406,408</u>	<u>5,097,676</u>
Business-type activities					
Charges for services					
Ambulance	-	-	1,854,166	2,335,391	2,653,895
Refuse collection and recycling	1,275,277	1,296,727	1,452,938	1,497,839	1,615,518
Water	1,943,228	1,976,022	2,504,459	2,798,241	3,107,356
Sewer	2,657,406	2,873,293	3,233,508	2,908,589	3,004,141
Storm water	-	-	-	-	-
Incinerator	1,422,074	1,416,584	1,728,595	1,996,358	2,267,535
Marina	703,294	760,496	824,426	866,417	800,378
Operating grants and contributions	-	-	4,762	9,416	4,401
Capital grants and contributions	-	-	1,006	42,316	145,083
Total business-type activities program revenues	<u>8,001,279</u>	<u>8,323,122</u>	<u>11,603,860</u>	<u>12,454,567</u>	<u>13,598,307</u>
Total primary government program revenues	<u>\$ 17,491,520</u>	<u>\$ 18,202,980</u>	<u>\$ 16,679,699</u>	<u>\$ 18,860,975</u>	<u>\$ 18,695,983</u>
<b>Net (expense) revenue</b>					
Governmental activities	\$ (7,811,280)	\$ (9,893,599)	\$ (12,581,337)	\$ (12,007,425)	\$ (14,186,914)
Business-type activities	762,866	265,629	1,275,986	473,138	(215,234)
Total primary government net expense	<u>\$ 7,048,414</u>	<u>\$ 9,627,970</u>	<u>\$ 11,305,351</u>	<u>\$ 11,534,287</u>	<u>\$ 14,402,148</u>

Table 2

		Fiscal Year							
		2008	2009	2010	2011	2012			
\$	678,416	\$	887,819	\$	917,260	\$	137,823	\$	188,538
	523,506		419,073		426,580		395,215		412,246
	711,436		643,036		629,296		52,905		92,462
	9,000		232,162		440,723		-		-
	-		-		-		-		-
	335,253		279,457		301,088		324,288		557,299
	1,493		591		-		-		1,166
	65,000		61,597		59,022		81,033		82,923
	-		-		-		-		-
	155,470		157,752		154,837		169,300		172,325
	833,049		761,027		1,123,423		1,426,275		2,096,164
	<u>5,646,830</u>		<u>2,744,503</u>		<u>1,252,750</u>		<u>890,256</u>		<u>2,890,146</u>
	<u>8,959,453</u>		<u>6,187,017</u>		<u>5,304,979</u>		<u>3,477,095</u>		<u>6,493,269</u>
	2,875,701		3,360,260		3,349,826		3,701,105		3,661,669
	1,756,555		1,810,061		1,864,877		2,014,532		2,117,154
	2,992,059		3,123,809		3,022,454		3,175,525		3,338,912
	3,001,304		3,249,586		3,236,300		3,468,089		3,387,202
	-		-		-		557,890		723,152
	2,200,732		2,251,264		2,413,378		2,649,004		2,734,200
	693,278		681,836		665,688		643,048		584,739
	5,695		4,424		7,212		32,650		6,100
	<u>976,046</u>		<u>1,048,457</u>		<u>179,102</u>		<u>6,899</u>		<u>49,028</u>
	<u>14,501,370</u>		<u>15,529,697</u>		<u>14,738,837</u>		<u>16,248,742</u>		<u>16,602,156</u>
\$	<u>23,460,823</u>	\$	<u>21,716,714</u>	\$	<u>20,043,816</u>	\$	<u>19,725,837</u>	\$	<u>23,095,425</u>
\$	(11,410,065)	\$	(13,252,647)	\$	(12,975,126)	\$	(13,663,380)	\$	(11,684,797)
	<u>35,110</u>		<u>237,382</u>		<u>(742,955)</u>		<u>(905,157)</u>		<u>47,736</u>
\$	<u>11,374,955</u>	\$	<u>13,015,265</u>	\$	<u>13,718,081</u>	\$	<u>14,568,537</u>	\$	<u>11,637,061</u>

**CITY OF RED WING, MINNESOTA**  
**CHANGES IN NET POSITION - CONTINUED**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General revenues and other changes in net position</b>					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 10,408,869	\$ 11,029,525	\$ 10,333,714	\$ 10,932,066	\$ 11,448,451
Property taxes, levied for specific purposes	176,413	179,292	183,517	198,612	313,855
Property taxes, levied for debt service	583,755	115,432	99,898	223	35
Tax increments	883,427	1,107,495	969,807	958,304	916,214
Franchise taxes	121,587	118,025	116,525	116,958	119,073
Other taxes	60,152	26,255	25,466	24,952	24,897
Grants and contributions not restricted to specific programs	152,181	376,249	1,404,538	1,867,985	1,772,944
Unrestricted investment earnings	697,133	1,439,125	1,088,207	1,650,180	2,166,969
Other revenues	16,478	38,270	14,027	47,179	112,377
Gain on sale of capital assets	4,941	142,523	7,091	2	671,676
Transfers	288,890	59,088	2,427,123	213,854	384,172
Total governmental activities	<u>13,393,826</u>	<u>14,631,279</u>	<u>16,669,913</u>	<u>16,010,315</u>	<u>17,930,663</u>
Business-type activities					
Unrestricted investment earnings	410,527	806,809	383,700	627,519	1,249,381
Gain on sale of capital assets	-	-	-	5,653	-
Transfers	(288,890)	(59,088)	(2,427,123)	(213,854)	(384,172)
Total business-type activities	<u>121,637</u>	<u>747,721</u>	<u>(2,043,423)</u>	<u>419,318</u>	<u>865,209</u>
Total primary government	<u>\$ 13,515,463</u>	<u>\$ 15,379,000</u>	<u>\$ 14,626,490</u>	<u>\$ 16,429,633</u>	<u>\$ 18,795,872</u>
<b>Changes in net position</b>					
Governmental activities	\$ 5,582,546	\$ 4,737,680	\$ 4,088,576	\$ 4,002,890	\$ 3,743,749
Business-type activities	<u>884,503</u>	<u>1,013,350</u>	<u>(767,437)</u>	<u>892,456</u>	<u>649,975</u>
Total primary government	<u>\$ 6,467,049</u>	<u>\$ 5,751,030</u>	<u>\$ 3,321,139</u>	<u>\$ 4,895,346</u>	<u>\$ 4,393,724</u>

Starting in 2008, the Port Authority is accounted for as a discretely presented component unit and not included after 2007.

Table 2

Fiscal Year				
2008	2009	2010	2011	2012
\$ 12,061,187	\$ 12,395,721	\$ 12,437,596	\$ 12,103,697	\$ 13,003,517
-	-	-	-	-
(16)	(31)	(2)	15	(49)
1,010,650	999,896	232,901	172,726	182,081
122,006	129,493	140,157	148,140	357,416
47,094	28,443	30,403	31,924	30,405
1,376,798	2,360,939	2,020,134	1,561,023	1,611,696
1,274,520	712,472	682,528	1,281,445	678,948
71,530	41,673	36,711	89,945	57,700
350	-	9,175	10,300	149,127
(76,595)	(2,690,027)	273,298	(301,902)	(3,036,946)
<u>15,887,524</u>	<u>13,978,579</u>	<u>15,862,901</u>	<u>15,097,313</u>	<u>13,033,895</u>
794,052	449,771	456,910	739,540	350,178
-	-	561,634	24,928	115,500
76,595	2,690,027	(273,298)	301,902	3,036,946
<u>870,647</u>	<u>3,139,798</u>	<u>745,246</u>	<u>1,066,370</u>	<u>3,502,624</u>
<u>\$ 16,758,171</u>	<u>\$ 17,118,377</u>	<u>\$ 16,608,147</u>	<u>\$ 16,163,683</u>	<u>\$ 16,536,519</u>
\$ 4,477,459	\$ 725,932	\$ 2,887,775	\$ 1,433,933	\$ 1,349,098
905,757	3,377,180	2,291	161,213	3,550,360
<u>\$ 5,383,216</u>	<u>\$ 4,103,112</u>	<u>\$ 2,890,066</u>	<u>\$ 1,595,146</u>	<u>\$ 4,899,458</u>

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**CITY OF RED WING, MINNESOTA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**

Table 3

Fiscal Year	Property Taxes			Tax Increments	Franchise Tax	Other Tax	Total
	Levied for General Purposes	Levied for Specific Purposes	Levied for Debt Service				
2003	\$ 10,408,869	\$ 176,413	\$ 583,755	\$ 883,427	\$ 121,587	\$ 60,152	\$ 12,234,203
2004	11,029,525	179,292	115,432	1,107,495	118,025	26,255	12,576,024
2005	10,333,714	183,517	99,898	969,807	116,525	25,466	11,728,927
2006	10,932,066	198,612	223	958,304	116,958	24,952	12,231,115
2007	11,448,451	313,855	35	916,214	119,073	24,897	12,822,525
2008	12,061,187	-	(16)	1,010,650	122,006	47,094	13,240,921
2009	12,395,721	-	(31)	999,896	129,493	28,443	13,553,522
2010	12,437,596	-	(2)	232,901	140,157	30,403	12,841,055
2011	12,103,697	-	15	172,726	148,140	31,924	12,456,502
2012	13,003,517	-	(49)	182,081	357,416	30,405	13,573,370

Starting in 2008, the Port Authority is accounted for as a discretely presented component unit and not included after 2007.

**CITY OF RED WING, MINNESOTA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2003 - 2010)	1,098,556	911,793	1,141,232	1,147,345	947,368
Committed	-	-	-	-	-
Unassigned (Unreserved 2003 - 2010)	<u>10,490,542</u>	<u>12,140,828</u>	<u>11,371,705</u>	<u>10,927,943</u>	<u>10,964,276</u>
Total General fund	<u>\$ 11,589,098</u>	<u>\$ 13,052,621</u>	<u>\$ 12,512,937</u>	<u>\$ 12,075,288</u>	<u>\$ 11,911,644</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2003 - 2010)	18,757,004	18,299,403	16,963,216	18,984,494	21,772,182
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2003 - 2010)	<u>4,625,600</u>	<u>5,090,526</u>	<u>5,619,720</u>	<u>3,799,656</u>	<u>3,022,324</u>
Total all other governmental funds	<u>\$ 23,382,604</u>	<u>\$ 23,389,929</u>	<u>\$ 22,582,936</u>	<u>\$ 22,784,150</u>	<u>\$ 24,794,506</u>

Starting in 2008, the Port Authority is accounted for as a discretely presented component unit and not included after 2007.

Table 4

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

**CITY OF RED WING, MINNESOTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$ 12,197,806	\$ 12,515,019	\$ 11,698,684	\$ 12,248,889	\$ 12,811,025
Special assessments	2,912,170	1,645,492	1,095,362	863,138	830,208
Intergovernmental revenue	4,274,328	2,604,864	2,835,298	3,437,349	405,248
Licenses and permits	286,544	313,642	402,432	372,056	3,577,241
Charges for services	3,837,540	5,917,634	1,551,383	1,642,733	1,798,581
Fines and forfeits	110,403	135,283	144,630	132,649	131,500
Interest	697,593	1,397,633	1,077,526	1,605,363	2,089,247
Other revenues	1,027,048	880,202	691,173	771,607	716,435
<b>Total revenues</b>	<u>25,343,432</u>	<u>25,409,769</u>	<u>19,496,488</u>	<u>21,073,784</u>	<u>22,359,485</u>
<b>Expenditures</b>					
General government	2,036,574	2,188,614	2,415,687	3,149,335	3,017,669
Public safety	5,640,511	5,589,151	4,205,292	4,714,149	4,975,383
Public works	3,963,821	3,998,140	4,263,275	3,558,981	3,818,668
Storm water	-	-	58,641	110,619	232,516
Sanitation	920,089	2,986,273	75,754	64,600	38,613
Culture and recreation	2,685,235	2,712,227	2,559,811	2,597,497	2,835,223
Economic development	1,197,272	2,650,016	888,100	1,010,869	1,038,256
Airport	130,660	170,952	229,441	283,229	315,064
Transit	318,334	323,635	51,619	79,820	319,824
Cemeteries	279,656	274,731	381,699	337,554	17,568
Unallocated	81,483	100,447	137,222	111,326	96,260
Capital outlay	1,660,448	832,376	2,385,061	3,350,600	2,613,655
Debt service					
Principal	1,574,205	1,958,324	1,894,971	1,616,505	1,513,313
Interest and fiscal charges	800,170	749,533	692,222	533,444	472,143
Bond issuance costs	-	-	-	-	-
<b>Total expenditures</b>	<u>21,288,458</u>	<u>24,534,419</u>	<u>20,238,795</u>	<u>21,518,528</u>	<u>21,304,155</u>
Revenues over (under) expenditures	<u>4,054,974</u>	<u>875,350</u>	<u>(742,307)</u>	<u>(444,744)</u>	<u>1,055,330</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	-	-	-	-	509,210
Transfers in	4,952,648	7,007,455	5,481,752	7,307,158	4,314,706
Debt issued	735,078	536,410	-	-	-
Transfers out	(4,206,258)	(6,948,367)	(5,415,244)	(7,098,849)	(4,032,534)
<b>Total other financing sources (uses)</b>	<u>1,481,468</u>	<u>595,498</u>	<u>66,508</u>	<u>208,309</u>	<u>791,382</u>
<b>Net change in fund balance</b>	<u>\$ 5,536,442</u>	<u>\$ 1,470,848</u>	<u>\$ (675,799)</u>	<u>\$ (236,435)</u>	<u>\$ 1,846,712</u>
Debt service as a percentage of noncapital expenditures	11.74%	13.14%	14.71%	12.33%	11.09%
Debt service as a percentage of total expenditures	11.15%	11.04%	12.78%	9.99%	9.32%

Starting in 2008, the Port Authority is accounted for as a discretely presented component unit and not included after 2007.

Table 5

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

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**CITY OF RED WING, MINNESOTA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increment	Franchise Tax	Other Tax	Total
2003	\$ 11,132,640	\$ 883,427	\$ 121,587	\$ 60,152	\$ 12,197,806
2004	11,263,244	1,107,495	118,025	26,255	12,515,019
2005	10,586,886	969,807	116,525	25,466	11,698,684
2006	11,148,675	958,304	116,958	24,952	12,248,889
2007	11,750,841	916,214	119,073	24,897	12,811,025
2008	12,003,479	1,005,387	122,006	47,094	13,177,966
2009	12,426,555	974,402	129,493	28,443	13,558,893
2010	12,303,314	325,053	140,157	30,403	12,798,927
2011	12,120,279	175,241	148,140	31,924	12,475,584
2012	13,025,172	182,081	357,416	30,405	13,595,074

**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
2003	\$ 6,682,776	\$ 3,090,728	\$ 7,739,502	\$ 140,082	\$ 497,992
2004	7,329,508	3,566,572	7,548,176	152,360	768,566
2005	8,065,821	3,696,624	7,244,266	140,921	733,949
2006	8,875,238	4,061,099	8,390,237	164,930	806,711
2007	9,753,265	4,134,917	8,878,164	185,798	782,753
2008	10,305,121	4,384,700	8,619,212	204,192	847,815
2009	10,758,334	4,493,366	8,145,933	223,245	858,484
2010	10,422,221	4,557,140	7,830,792	255,484	268,738
2011	10,165,828	4,607,110	8,198,164	234,771	147,368
2012	8,715,559	4,370,842	8,524,214	236,418	142,238

Sources: Springsted Inc. and Goodhue County Auditor.

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

Table 7

<u>Total Real Estate Tax Capacity</u>	<u>Personal Property Tax Capacity</u>	<u>Total Net Tax Capacity</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Estimated Market Value</u>
\$ 17,155,096	\$ 292,639	\$ 17,447,735	65.468	\$ 1,356,861,600	1.32 %
17,828,050	294,500	18,122,550	63.591	1,381,563,600	1.37
18,413,683	303,573	18,717,256	58.369	1,543,126,200	1.26
20,684,793	316,969	21,001,762	54.349	1,662,327,000	1.31
22,169,391	330,511	22,499,902	53.171	1,715,048,800	1.36
22,665,410	325,201	22,990,611	54.698	1,739,849,800	1.37
22,762,394	319,706	23,082,100	55.170	1,691,747,800	1.42
22,796,899	321,288	23,118,187	55.132	1,695,585,300	1.38
23,058,505	343,826	23,402,331	54.671	1,689,961,300	1.39
21,704,795	354,969	22,059,764	59.376	1,551,046,300	1.43

**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).			
2003	62.022	3.446	65.468
2004	62.951	0.640	63.591
2005	57.802	0.567	58.369
2006	54.349	-	54.349
2007	53.171	-	53.171
2008	54.698	-	54.698
2009	55.170	-	55.170
2010	55.132	-	55.132
2011	54.671	-	54.671
2012	59.376	-	59.376

Source: Goodhue County Auditor's Office.

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

Table 8

Overlapping Rates				
County Tax Rate	School District Tax Rate	Special Districts	Total Overlapping Debt	Total and Direct Overlapping Rates
59.881	27.100	1.984	88.965	154.433
56.942	23.374	2.050	82.366	145.957
53.453	20.439	2.011	75.903	134.272
47.162	18.559	1.911	67.632	121.981
43.452	18.779	2.258	64.489	117.660
42.694	17.580	2.281	62.555	117.253
42.831	17.181	2.406	62.418	117.588
42.329	19.528	2.404	64.261	119.393
43.214	17.309	2.437	62.960	117.631
46.572	19.927	2.598	69.097	128.473

**CITY OF RED WING, MINNESOTA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Table 9

Taxpayer	Type of Business	2012			2003		
		Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Xcel Energy	Utility	\$ 8,770,443	1	37.5 %	\$ 12,415,988	1	71.2 %
Wal-Mart Stores Incorporated	Retail	215,084	2	0.9	407,671	2	2.3
Fairview Red Wing Health Services	Medical Services	184,241	3	0.8	356,261	3	2.0
Red Wing Shoe Company	Manufacturing	179,618	4	0.8	272,718	5	1.6
Target Corporation	Retail	155,812	5	0.7	322,085	4	1.8
Menards, Inc.	Retail	152,702	6	0.7	-	-	-
M & E Realty Company	Real Estate	128,734	7	0.6	199,502	7	1.1
BIC Promotional Products	Manufacturing	114,116	8	0.5	156,548	8	0.9
Principal Investments LLC	Real Estate	107,433	9	0.5	-	-	-
CJB Real Estate Inc.	Real Estate	92,377	10	0.4	-	-	-
Red Wing Hotel Corporation	Hotel	-	-	-	211,397	6	1.2
Archer-Daniels Midland	Soybean Processor	-	-	-	145,964	9	0.8
Red Wing Grain	Grain Processing	-	-	-	131,911	10	0.8
Total		<u>\$ 10,100,560</u>		<u>43.4 %</u>	<u>\$ 14,620,045</u>		<u>83.7 %</u>
Total All Property		<u>\$ 22,059,764</u>			<u>\$ 17,447,735</u>		

Sources: Springsted Inc. and Goodhue County Auditor.

Note: Xcel Energy won a summary judgment in tax court resulting in the exemption of pollution control equipment from its market value, and the State reduced the property class rate on Commercial, Industrial, and Public Utility property from 3.4% to 2.9% in 2001, which accounts for the drop in market value and taxable net tax capacity.

**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
2003	\$ 10,922,357	\$ 10,830,455	99.2 %	\$ 91,088	\$ 10,921,543	100.0 %
2004	11,018,208	10,914,180	99.1	103,356	11,017,536	100.0
2005	10,430,040	10,323,091	99.0	106,949	10,430,040	100.0
2006	10,915,679	10,798,150	98.9	113,752	10,911,902	100.0
2007	11,444,617	11,287,314	98.6	152,310	11,439,624	100.0
2008	12,047,521	11,850,251	98.4	187,075	12,037,326	99.9
2009	12,188,861	11,999,405	98.4	162,306	12,161,711	99.8
2010	12,955,124	12,747,284	98.4	161,160	12,908,444	99.6
2011	12,226,569	12,067,120	98.7	105,571	12,172,691	99.6
2012	13,015,000	12,880,561 <sup>(1)</sup>	99.0	-	12,880,561	99.0

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.

(1) Market Rate Homestead Credit of \$2,455 was unallotted during year and included in collections.

**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
2003	\$ -	\$ 4,720,000	\$ 7,445,000	\$ 1,555,579	\$ 153,080	\$ 758,688
2004	-	3,860,000	6,665,000	1,501,488	129,480	688,773
2005	-	3,030,000	5,925,000	1,444,686	105,880	616,220
2006	-	2,400,000	5,170,000	1,383,155	-	552,126
2007	-	1,800,000	4,390,000	1,317,264	-	484,705
2008	-	1,155,000	3,595,000	1,246,949	-	413,785
2009	-	490,000	2,770,000	1,189,090	-	339,185
2010	-	-	1,920,000	1,131,421	-	260,711
2011	1,835,000	-	1,045,000	1,078,551	-	178,166
2012	4,210,000	-	250,000	728,442	-	91,336

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

Table 11

Business-type Activities	Total Primary Government	Percentage of Personal Income	Bonded Debt Per Capita
General Obligation Revenue			
\$ 5,649,067	\$ 20,281,414	1.42 %	\$ 1,253
19,648,561	32,493,302	2.07	1,997
25,439,391	36,561,177	2.37	2,235
24,409,765	33,915,046	2.08	2,077
23,178,512	31,170,481	1.85	1,908
25,973,075	32,383,809	1.80	1,987
24,665,315	29,453,590	1.69	1,808
24,151,544	27,463,676	1.49	1,669
21,752,520	25,889,237	1.32	1,576
20,152,987	25,432,765	1.30	1,548

**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	
2003	\$ -	\$ 4,720,000	\$ 7,445,000	\$ 12,165,000
2004	-	3,860,000	6,665,000	10,525,000
2005	-	3,030,000	5,925,000	8,955,000
2006	-	2,400,000	5,170,000	7,570,000
2007	-	1,800,000	4,390,000	6,190,000
2008	-	1,155,000	3,595,000	4,750,000
2009	-	490,000	2,770,000	3,260,000
2010	-	-	1,920,000	1,920,000
2011	1,835,000	-	1,045,000	2,880,000
2012	4,210,000	-	250,000	4,460,000

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 Estimated Taxable Market Value	Per Capita
\$ 4,694,977	\$ 7,470,023	0.55 %	\$ 461
4,895,307	5,629,693	0.41	346
4,728,713	4,226,287	0.27	258
4,166,140	3,403,860	0.20	208
3,637,552	2,552,448	0.15	156
3,067,567	1,682,433	0.10	103
2,551,266	708,734	0.04	43
1,495,690	424,310	0.03	26
967,112	1,912,888	0.11	116
710,110	3,749,890	0.24	228

**CITY OF RED WING, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**DECEMBER 31, 2012**

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct debt			
City of Red Wing	<u>\$ 4,460,000</u>	100.00 %	<u>\$ 4,460,000</u>
Overlapping debt			
Goodhue County	9,840,000	39.10	3,847,440
Independent School District #256	<u>18,580,000</u>	81.00	<u>15,049,800</u>
Total overlapping debt	<u>28,420,000</u>		<u>18,897,240</u>
Total direct and overlapping debt	<u>\$ 32,880,000</u>		<u>\$ 23,357,240</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
2003	16,191	\$ 27,137,232	\$ -	\$ 27,137,232	- %	-
2004	16,274	27,631,272	-	27,631,272	-	-
2005	16,358	30,862,524	-	30,862,524	-	-
2006	16,329	33,246,540	-	33,246,540	-	-
2007	16,338	34,300,976	-	34,300,976	-	-
2008	16,300	34,796,996	-	34,796,996	-	-
2009	16,294	50,752,434	-	50,752,434	-	-
2010	16,459	50,867,559	-	50,867,559	-	-
2011	16,432	50,698,839	1,260,000	49,438,839	2.49	77
2012	16,432	46,531,389	3,755,915	42,775,474	8.07	229

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

Note: Population information for the City of Red Wing for 2012 is not yet available from the Office of the State Auditor, therefore the 2011 figure was used.  
For issues with a settlement date after June 30, 2008, State statutes have increased the legal debt limit of general obligation debt a Minnesota city may issue from 2% to 3% of total Estimated Market Value.

**Legal Debt Margin Calculation for Fiscal Year 2012**

Market value	\$1,551,046,300
Add back exempt real property	<u>-</u>
Total assessed value	<u>1,551,046,300</u>
Debt limit (3% of market value)	<u>46,531,389</u>
Debt applicable to limit	
General obligation bonds	4,210,000
Less amount set aside for repayment of general obligation debt	<u>454,085</u>
Total net debt applicable to limit	<u>3,755,915</u>
Legal debt margin	<u>\$ 42,775,474</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	
				2003	\$ 1,898,412	\$ 1,211,283	
2004	1,932,652	1,558,889	373,763	45,000	16,482	61,482	6.08
2005	2,425,174	1,383,591	1,041,583	669,000	292,656	961,656	1.08
2006	2,736,193	1,756,970	979,223	687,000	415,821	1,102,821	0.89
2007	3,046,704	1,540,086	1,506,618	710,000	411,075	1,121,075	1.34
2008	2,910,301	1,850,515	1,059,786	722,450	387,235	1,109,685	0.96
2009	3,040,243	1,970,031	1,070,212	741,000	366,303	1,107,303	0.97
2010	2,938,283	1,964,288	973,995	786,000	344,872	1,130,872	0.86
2011	3,085,108	2,029,259	1,055,849	786,000	322,306	1,108,306	0.95
2012	3,223,599	2,091,869	1,131,730	811,000	298,766	1,109,766	1.02

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	
				2003	\$ 2,642,701	\$ 1,853,333	
2004	2,858,593	2,026,002	832,591	240,314	141,175	381,489	2.18
2005	3,127,986	1,980,224	1,147,762	265,688	167,549	433,237	2.65
2006	2,836,153	1,833,842	1,002,311	489,475	267,703	757,178	1.32
2007	2,880,038	2,083,821	796,217	478,442	274,977	753,419	1.06
2008	2,883,733	2,502,078	381,655	492,987	239,137	732,124	0.52
2009	3,094,840	2,645,685	449,155	506,760	224,509	731,269	0.61
2010	3,160,976	2,876,002	284,974	522,771	209,451	732,222	0.39
2011	3,296,135	3,219,432	76,703	538,024	193,898	731,922	0.10
2012	3,299,146	2,779,998	519,148	553,533	177,876	731,409	0.71

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	
				2003	\$ 703,294	\$ 415,196	
2004	760,496	498,171	262,325	50,000	60,150	110,150	2.38
2005	824,426	539,932	284,494	50,000	58,150	108,150	2.63
2006	866,417	546,841	319,576	55,000	56,050	111,050	2.88
2007	800,378	603,708	196,670	55,000	53,850	108,850	1.81
2008	693,278	522,606	170,672	60,000	53,183	113,183	1.51
2009	584,087	405,403	178,684	60,000	49,691	109,691	1.63
2010	566,808	446,809	119,999	65,000	47,117	112,117	1.07
2011	536,481	429,751	106,730	65,000	51,002	116,002	0.92
2012	468,258	385,407	82,851	85,000	20,748	105,748	0.78

Disposal System Revenue Bonds							
Fiscal Year	Incinerator Operating Revenues	Operating Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
				2003	\$ -	\$ -	
2004	-	-	-	-	-	-	N/A
2005	-	-	-	-	-	-	N/A
2006	-	-	-	-	-	-	N/A
2007	-	-	-	-	-	-	N/A
2008	-	-	-	-	-	-	N/A
2009	2,226,303	2,573,658	(347,355)	-	146,626	146,626	(2.37)
2010	2,405,074	2,757,932	(352,858)	80,000	165,683	245,683	(1.44)
2011	2,643,093	2,962,733	(319,640)	145,000	162,951	307,951	(1.04)
2012	2,687,895	2,596,386	91,509	150,000	158,159	308,159	0.30

(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>
2003	16,191	\$ 1,432,350,000	\$ 31,810	4.8 %
2004	16,274	1,567,689,000	34,585	4.8
2005	16,358	1,539,467,000	33,955	4.5
2006	16,329	1,630,253,000	35,753	4.3
2007	16,338	1,688,181,000	36,807	5.0
2008	16,300	1,795,034,000	39,091	5.7
2009	16,294	1,746,795,000	37,945	7.9
2010	16,459	1,846,422,000	39,951	7.2
2011	16,432	1,958,539,000	42,377	6.3
2012	16,432	1,958,539,000	42,377	5.4

(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 is provided above. The 2012 Personal Income information for Goodhue County will not be released until sometime in August of 2013, therefore the 2011 figures were used.

**CITY OF RED WING, MINNESOTA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

	2012		
	Employees	Rank	Percentage of Total City Employment
Treasure Island Casino	1,613	1	11.98 %
Red Wing Shoe Company	998	2	7.41
Mayo Clinic Health System	783	3	5.81
Xcel Energy	700	4	5.20
Norwood	543	5	4.03
DB Industries	450	6	3.34
Independent School District #256	425	7	3.16
Goodhue County	330	8	2.45
Red Wing Health Center	200	9	1.49
SB Foot Tanning	198	10	1.47
Josten's	-	-	-
IRC Industries	-	-	-
Express Services	-	-	-
Interstate Medical	-	-	-
<b>Total</b>	<b>6,240</b>		<b>46.34 %</b>
<b>Total City Employment</b>	<b>13,466</b>		

Sources: Springsted Inc. and State of Minnesota, Department of Employment and Economic Development, March 2013 phone survey.

Table 17

2003

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
1,600	1	14.54 %
1,210	2	10.99
950	3	8.63
556	4	5.05
-	-	-
-	-	-
450	5	4.09
-	-	-
-	-	-
425	6	3.86
400	7	3.63
315	8	2.86
252	9	2.29
233	10	2.12
<u>6,391</u>		<u>58.06 %</u>
<u>11,007</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,			
	2003	2004	2005	2006
<b>Governmental Activities</b>				
<b>General government</b>				
Council administrator	3	3	3	3
City clerk	3	2	2	2
Finance	5	4	4	4
Employee services	3	3	3	4
Community development	2	2	3	3
Communications	-	1	1	1
Information technology	2	2	2	2
<b>Public safety</b>				
Police	31	31	33	33
Fire	10	11	11	11
Inspection	3	5	5	6
<b>Streets and highways</b>				
Maintenance	15	15	15	14
Engineering	8	7	7	7
<b>Culture and recreation</b>				
Library	6	6	6	6
Parks	10	10	10	10
<b>All other governmental employees</b>				
Cemetery	2	2	2	2
Public services	-	-	-	-
Buildings and grounds	-	-	-	-
Central services	4	4	4	6
Port Authority	3	3	3	3
Sheldon Theatre	3	3	3	3
Internal service administration	-	-	-	-
<b>Business-type Activities</b>				
Refuse and recycling	12	12	12	12
Water	9	10	10	10
Sewer	12	12	12	12
Storm water	-	-	-	-
Incinerator	12	11	11	13
Marina	1	1	1	1
Ambulance	11	10	10	10
<b>Total</b>	<b>170</b>	<b>170</b>	<b>173</b>	<b>178</b>

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,

2007	2008	2009	2010	2011	2012
3	2	2	2	-	-
3	2	2	2	-	-
4	4	4	4	-	-
4	4	4	4	-	-
3	3	3	3	3	1
2	3	2	2	-	-
3	3	3	3	-	-
33	35	31	31	31	31
11	11	12	12	12	12
6	6	4	4	1	2
13	11	11	15	15	10
7	7	7	7	7	7
6	6	6	6	6	5
11	9	9	9	9	7
2	2	1	-	-	-
-	-	-	-	-	2
-	-	-	-	-	5
6	6	6	6	6	6
3	3	3	2	2	2
3	3	3	3	3	3
-	-	-	-	17	16
12	12	13	10	9	9
10	11	11	12	11	11
12	13	14	14	14	14
-	-	1	1	1	1
13	13	13	12	12	12
1	1	1	1	1	1
10	11	12	12	12	12
<u>181</u>	<u>181</u>	<u>178</u>	<u>177</u>	<u>172</u>	<u>169</u>

**CITY OF RED WING, MINNESOTA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year			
	2003	2004	2005	2006
<b>Elections*</b>				
Number of registered voters		11,458		10,883
Number of votes cast		8,874		6,828
<b>Police</b>				
Number of calls for service	11,430	12,058	12,177	12,551
<b>Fire</b>				
Number of fire calls	742	641	777	993
<b>Building permits</b>				
Newly issued residential permits	61	78	113	57
Total valuation of residential permits	\$ 10,719,472	\$ 15,783,053	\$ 19,808,975	\$ 16,722,013
Newly issued civic and institutional permits	-	4	-	-
Total valuation of civic and institutional permits	\$ -	\$ 4,987,135	\$ -	\$ -
Newly issued commercial permits	4	6	6	9
Total valuation of commercial permits	\$ 2,072,527	\$ 4,462,135	\$ 1,477,125	\$ 879,398
Newly issued industrial permits	1	1	1	-
Total valuation of industrial permits	\$ 65,400	\$ 328,000	\$ 1,427,000	\$ -
<b>Refuse</b>				
Refuse collected (tons/year)	5,584	6,094	6,195	6,124
<b>Water</b>				
Number of accounts	6,153	6,160	6,168	6,175
Average daily water demand in gallons	1,700,000	1,700,000	1,700,000	1,700,000
Peak daily water demand in gallons	4,000,000	4,000,000	4,000,000	4,000,000
<b>Wastewater</b>				
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					
2007	2008	2009	2010	2011	2012
	10,185		9,522		9,443
	8,860		6,568		8,748
12,307	11,432	11,859	14,479	15,472	15,980
945	991	929	949	920	877
28	17	5	8	9	8
\$ 5,057,064	\$ 2,521,878	\$ 1,063,647	\$ 1,601,745	\$ 1,539,000	\$ 1,333,434
1	1	1	-	-	1
\$ 25,000	\$ 900,333	\$ 100,000	\$ -	\$ -	\$ 20,000
8	6	2	1	4	4
\$ 5,496,073	\$ 3,513,900	\$ 965,000	\$ 1,664,000	\$ 1,708,850	\$ 3,513,494
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,319	6,168	6,222	6,458	6,787	6,802
6,183	6,192	6,255	6,249	6,206	6,205
1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
4,000,000	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			
	2003	2004	2005	2006
General government				
Municipal governmental buildings	9	9	9	9
Public safety				
Police				
Patrol units	18	18	18	18
Fire				
Fire units	7	7	7	7
Public works				
Street division				
Miles of street	112.55	113.38	114.94	116.10
Parks division				
Parks and playgrounds	34	34	34	34
Acres of parks and playgrounds	930.92	931.41	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	17	17	15	13
Number of pump stations	8	8	8	8
Number of water treatment facilities	1	1	2	2
Wastewater				
Number of wastewater treatment facilities	2	2	2	2
Lift stations	9	9	12	12
Ambulance				
Ambulance units	3	3	3	3

Sources: Various City departments.

Table 20

Fiscal Year						
2007	2008	2009	2010	2011	2012	
9	9	9	9	9	9	9
18	19	18	18	17	18	18
7	7	7	7	7	8	8
116.98	117.28	117.28	117.28	117.59	117.59	117.59
34	34	34	34	34	34	34
943.02	943.02	943.02	943.02	943.02	943.02	943.02
1	1	1	1	1	1	1
1	1	1	1	1	1	1
	1					
3	3	3	3	3	3	3
	1					
13	12	12	12	12	12	12
8	8	8	8	8	8	8
2	2	2	2	2	2	2
2	2	2	2	2	2	2
12	12	12	12	12	12	12
3	3	4	4	4	4	4

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**SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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**CITY OF RED WING  
RED WING, MINNESOTA  
SCHEDULE OF CASH AND INVESTMENTS  
DECEMBER 31, 2012**

*Schedule A*

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
<b>General Pooled Deposits and Investments</b>			
<b>Checking accounts</b>			
1st National Bank	Varies	-	\$ 75
Associated Bank	Varies	-	1,685,636
Wells Fargo checking	Varies	-	450
Wells Fargo - Larry Kuhl account	Varies	-	5,652
Money market checking	Varies	-	1,425
<b>Total checking accounts</b>			<b><u>1,693,238</u></b>
<b>Petty cash</b>			<b><u>4,085</u></b>
<b>Certificates of deposit</b>			
Wells Fargo	0.70%	03/31/15	268,057
<b>Total certificates of deposit</b>			<b><u>268,057</u></b>
<b>Negotiable certificates of deposit</b>			
CD - APPLE BANK FOR SAVINGS, MANHASSET, NY	0.30%	03/12/13	248,831
CD - BANK OF BARODA, NEW YORK, NY	0.30%	02/19/13	140,933
CD - BANK OF CHINA, NEW YORK, NY	0.40%	02/28/13	248,900
CD - BANK OF HAPOALIM, NEW YORK, NY	0.50%	05/24/13	140,916
CD - BANK OF INDIA, NEW YORK, NY	0.50%	06/12/13	248,833
CD - CAPITAL BANK	0.30%	03/21/13	140,892
CD - CIT BANK, SALT LAKE CITY, UT	2.10%	07/05/19	248,636
CD - EVERGREEN BANK GROUP	0.25%	03/28/13	248,759
CD - GE CAPITAL BANK, SALT LAKE CITY, UT	2.00%	07/13/18	251,563
CD - GE CAPITAL RETAIL BANK, DRAPER UT	2.00%	06/08/18	231,057
CD - STATE BANK OF INDIA, NEW YORK, NY	0.40%	05/21/13	248,760
CD - WORLD FINANCIAL NETWORK BANK, WILMINGTON, DE	1.85%	06/08/17	202,100
CD - DISCOVER BANK, GREENWOOD, DE	1.80%	07/18/17	247,744
CD - GOLDMAN SACS BANK, NY, NY	1.80%	08/15/17	247,842
<b>Total negotiable certificates of deposit</b>			<b><u>3,095,766</u></b>
<b>U.S. government securities</b>			
U.S. TREASURY BILL	0.06%	06/06/13	389,828
U.S. TREASURY BILL	0.06%	05/23/13	140,944
U.S. TREASURY BILL	0.05%	05/09/13	389,875
U.S. TREASURY BILL	0.03%	04/25/13	389,906
U.S. TREASURY BILL	0.03%	04/11/13	489,912
U.S. TREASURY BILL	0.04%	03/14/13	140,990
U.S. TREASURY BILL	0.01%	02/14/13	389,984
U.S. TREASURY BILL	0.01%	01/31/13	724,986
U.S. TREASURY BILL	0.02%	01/17/13	389,996
FFCB	4.90%	12/28/20	2,358,335
FHLB	Step Up 1.00% - 6.00%	12/28/27	998,110
FHLB	Step Up 1.25% - 6.00%	11/26/27	1,498,785
FHLB	Step Up 2.00% - 4.00%	11/08/27	990,300
FHLB	Step Up 1.00% - 5.00%	12/28/22	1,666,727
FHLB	Step Up 1.00% - 6.00%	12/28/22	756,072
FHLB	Step Up 1.00% - 5.00%	10/25/22	750,150
FHLB	Step Up 0.750% - 5.00%	10/25/22	399,600
FHLB	Step Up 1.00% - 5.00%	10/18/22	800,112
FHLB	Step Up 1.50% - 5.50%	09/13/22	1,001,490
FHLB	Step Up 1.01% - 5.00%	08/15/22	1,500,645
FHLB	Step Up 1.05% - 5.00%	07/26/22	498,690
FHLB	Step Up 1.25% - 5.00%	07/18/22	665,173
FHLB	Step Up 1.00% - 5.00%	04/30/19	500,960
FHLMC	Step Up 2.00% - 6.00%	03/19/32	1,503,945
FHLMC	Step Up 2.50% - 6.00%	01/25/27	1,069,121
FHLMC	Step Up 2.00% - 5.50%	05/25/22	1,510,755
FHLMC	Step Up 2.00% - 7.00%	05/18/22	4,338,485
FHLMC	Step Up 2.125% - 7.00%	03/28/22	2,065,342
FHLMC	Step Up 2.00% - 7.00%	03/14/22	1,502,130
FHLMC	Step Up 2.00% - 7.00%	02/28/22	595,271
FHLMC	Step Up 2.00% - 6.00%	01/25/22	4,284,778

**CITY OF RED WING  
RED WING, MINNESOTA  
SCHEDULE OF CASH AND INVESTMENTS - CONTINUED  
DECEMBER 31, 2012**

*Schedule A*

	Interest Rate (%)	Maturity Date	Carrying Amount
FHLMC	Step Up 2.00% - 6.50%	01/11/22	\$ 280,045
FNMA	Step Up 2.00% - 6.00%	06/21/32	1,987,020
FNMA	Step Up 1.75% - 5.05%	08/13/27	1,503,600
FNMA	Step Up 2.00% - 6.50%	07/30/27	2,002,060
FNMA	Step Up 1.00% - 6.00%	07/30/27	996,100
FNMA	Step Up 2.00% - 6.50%	07/23/27	401,788
FNMA	Step Up 1.50% - 6.50%	06/28/27	2,005,460
FNMA	Step Up 1.25% - 6.00%	03/29/27	1,000,990
FNMA	Step Up 1.00% - 5.00%	01/25/27	1,000,500
FNMA POOL	4.50%	06/01/33	350,073
FNMA POOL	5.00%	05/15/33	107,246
FNMA POOL	5.00%	05/01/33	116,196
<b>Total U.S. government securities</b>			<b>46,452,475</b>
<b>Other investments</b>			
Minnesota Community Capital Fund			103,200
St. Paul Foundation			2,955,495
Broker Money Market Accounts			3,904,574
<b>Total other investments</b>			<b>6,963,269</b>
<b>Total General Pooled Deposits and Investments</b>			<b>\$ 58,476,890</b>

CITY OF RED WING  
RED WING, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds					Total
	General Fund	Airport	U.S. EPA Hazardous Substances	U.S. EPA Petroleum	Library	
<b>Shared Revenue</b>						
<b>State</b>						
Highway users tax	\$ 268,048	\$ -	\$ -	\$ -	\$ -	\$ -
Bridge bonding	-	-	-	-	-	-
Market value credit	2,395	-	-	-	-	-
Local government aid	619,586	-	-	-	-	-
State PERA aid	32,922	-	-	-	-	-
Utility value transition aid	565,052	-	-	-	-	-
State police pension aid	168,286	-	-	-	-	-
State fire pension aid	71,133	-	-	-	-	-
<b>Total Shared Revenue</b>	<b>1,727,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grants</b>						
<b>County and Local</b>						
Miscellaneous	129,739	-	-	-	93,567	93,567
<b>Total County and Local</b>	<b>129,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,567</b>	<b>93,567</b>
<b>State</b>						
Minnesota Department of Public Safety	7,229	-	-	-	-	-
Police - Safe and Sober	10,086	-	-	-	-	-
Transportation	-	192,402	-	-	-	192,402
Natural Resources	23,387	-	-	-	-	-
Library grant	-	-	-	-	9,151	9,151
Minnesota Peace Officers Board (POST)	8,302	-	-	-	-	-
<b>Total State</b>	<b>49,004</b>	<b>192,402</b>	<b>-</b>	<b>-</b>	<b>9,151</b>	<b>201,553</b>
<b>Federal</b>						
<b>U.S. Department of</b>						
Health and Human Services	34,390	-	68,691	9,521	-	78,212
Justice	420	-	-	-	-	-
Transportation	-	114,396	-	-	-	114,396
Homeland Security	91,080	-	-	-	-	-
<b>Total Federal</b>	<b>125,890</b>	<b>114,396</b>	<b>68,691</b>	<b>9,521</b>	<b>-</b>	<b>192,608</b>
<b>Total Grants</b>	<b>304,633</b>	<b>306,798</b>	<b>68,691</b>	<b>9,521</b>	<b>102,718</b>	<b>487,728</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 2,032,055</b>	<b>\$ 306,798</b>	<b>\$ 68,691</b>	<b>\$ 9,521</b>	<b>\$ 102,718</b>	<b>\$ 487,728</b>

Schedule B

<b>Capital Projects Funds</b>							
<b>Capital Improvement Assessment</b>	<b>Airport Federal Projects</b>	<b>East 5th Street Bridge Project</b>	<b>Sturgeon Lake Road Overpass</b>	<b>Old Highway #19</b>	<b>Moundview Drive</b>	<b>Total</b>	<b>Totals All Funds</b>
\$ 551,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 551,166	\$ 819,214
-	-	-	-	339,175	-	339,175	339,175
-	-	-	-	-	-	-	2,395
-	-	-	-	-	-	-	619,586
-	-	-	-	-	-	-	32,922
-	-	-	-	-	-	-	565,052
-	-	-	-	-	-	-	168,286
-	-	-	-	-	-	-	71,133
<b>551,166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>339,175</b>	<b>-</b>	<b>890,341</b>	<b>2,617,763</b>
-	-	-	-	-	-	-	223,306
-	-	-	-	-	-	-	<b>223,306</b>
-	-	-	-	-	-	-	7,229
-	-	-	-	-	-	-	10,086
-	-	975,338	-	-	106,086	1,081,424	1,273,826
-	-	-	-	-	-	-	23,387
-	-	-	-	-	-	-	9,151
-	-	-	-	-	-	-	8,302
<b>-</b>	<b>-</b>	<b>975,338</b>	<b>-</b>	<b>-</b>	<b>106,086</b>	<b>1,081,424</b>	<b>1,331,981</b>
-	-	-	-	-	-	-	112,602
-	-	-	-	-	-	-	420
-	238,107	-	147,123	-	-	385,230	499,626
-	-	-	-	-	-	-	91,080
<b>-</b>	<b>238,107</b>	<b>-</b>	<b>147,123</b>	<b>-</b>	<b>-</b>	<b>385,230</b>	<b>703,728</b>
<b>-</b>	<b>238,107</b>	<b>975,338</b>	<b>147,123</b>	<b>-</b>	<b>106,086</b>	<b>1,466,654</b>	<b>2,259,015</b>
<b>\$ 551,166</b>	<b>\$ 238,107</b>	<b>\$ 975,338</b>	<b>\$ 147,123</b>	<b>\$ 339,175</b>	<b>\$ 106,086</b>	<b>\$ 2,356,995</b>	<b>\$ 4,876,778</b>

**CITY OF RED WING  
RED WING, MINNESOTA  
DETAILED COMBINED SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b><u>BONDED INDEBTEDNESS</u></b>	<b><u>INTEREST RATE</u></b>	<b><u>ISSUE DATE</u></b>	<b><u>MATURITY DATE</u></b>	<b><u>% SUPPORTED BY TAXES</u></b>	<b><u>AUTHORIZED</u></b>
<b><u>GENERAL OBLIGATION BONDS</u></b>					
\$1,835M Improvement Bonds of 2011A	1.9280 %	11/21/11	02/01/22	100%	\$ 1,835,000
\$2,375M Improvement Bonds of 2012A	1.4881	07/01/12	02/01/23	100%	<u>2,375,000</u>
TOTAL GENERAL OBLIGATION BONDS					<u>4,210,000</u>
<b><u>GENERAL OBLIGATION IMPROVEMENT (SPECIAL ASSESSMENT) BONDS</u></b>					
\$5,720M Improvement Bonds of 1999C	4.9275 %	10/01/99	02/01/12	0%	5,720,000
\$2,625M Improvement Bonds of 2002A	4.1516	04/01/02	02/01/13	0%	<u>2,625,000</u>
TOTAL SPECIAL ASSESSMENT BONDS					<u>8,345,000</u>
<b><u>GENERAL OBLIGATION REVENUE BONDS</u></b>					
\$750M G.O. Sewer Revenue Note of 1996	3.8240	12/20/96	08/20/17	0%	750,000
\$700M G.O. Sewer Revenue Note of 1997	3.4050	12/02/97	02/20/18	0%	700,000
\$2,500M Sewer Revenue Note of 1998	3.3400	05/22/98	08/20/18	0%	2,500,000
\$2,100M G.O. Sewer Revenue Note of 2002	3.7400	10/11/02	08/20/22	0%	2,100,000
\$500M G.O. Water Revenue Bonds of 2002B	4.1428	04/01/02	02/01/12	0%	500,000
\$15,283M G.O. Water Revenue Bonds of 2004	2.8190	04/12/04	08/20/23	0%	15,417,000
\$5,283,360 G.O. Sewer Revenue Bonds of 2004	2.3400	08/24/04	08/20/24	0%	5,283,360
\$4,070,000 G.O. Disposal System Bonds of 2008A	4.2350	02/01/08	02/01/29	0%	4,070,000
\$920,000 G.O. Marina Revenue Refunding Bonds of 2010A	2.6191	07/01/10	05/01/21	0%	<u>920,000</u>
TOTAL GENERAL OBLIGATION REVENUE BONDS					<u>32,240,360</u>
<b><u>REVENUE BONDS</u></b>					
\$1,700M Taxable Golf Course Revenue Bonds of 1998	7.7500	03/31/98	04/01/20	0%	<u>1,700,000</u>
TOTAL BONDS PAYABLE					<u>46,495,360</u>
<b><u>LEASES PAYABLE</u></b>					
Lease Payable - Oshkosh	5.0900	09/22/2003	09/22/13	100%	<u>735,078</u>
TOTAL CITY INDEBTEDNESS					<u>\$ 47,560,518</u>

Schedule C

<u>ISSUED</u>	<u>RETIRED</u>	<u>LONG-TERM OUTSTANDING</u>	<u>PRINCIPAL DUE IN 2013</u>	<u>INTEREST DUE IN 2013</u>
\$ 1,835,000	\$ -	\$ 1,835,000	\$ 160,000	\$ 28,715
2,375,000	-	2,375,000	-	30,125
<u>4,210,000</u>	<u>-</u>	<u>4,210,000</u>	<u>160,000</u>	<u>58,840</u>
5,720,000	5,720,000	-	-	-
2,625,000	2,375,000	250,000	250,000	5,625
<u>8,345,000</u>	<u>8,095,000</u>	<u>250,000</u>	<u>250,000</u>	<u>5,625</u>
750,000	508,809	241,191	45,195	8,795
700,000	458,620	241,380	40,670	7,876
2,500,000	1,657,584	842,416	145,435	26,932
1,494,594	599,594	895,000	76,000	33,473
500,000	500,000	-	-	-
15,283,450	5,482,450	9,801,000	772,000	276,290
5,283,360	1,681,360	3,602,000	263,000	84,287
4,070,000	375,000	3,695,000	155,000	151,658
920,000	85,000	835,000	90,000	19,352
<u>31,501,404</u>	<u>11,348,417</u>	<u>20,152,987</u>	<u>1,587,300</u>	<u>608,663</u>
1,700,000	971,558	728,442	-	53,910
<u>45,756,404</u>	<u>20,414,975</u>	<u>25,341,429</u>	<u>1,997,300</u>	<u>727,038</u>
735,078	643,742	91,336	91,336	4,740
<u>\$ 46,821,562</u>	<u>\$ 21,388,797</u>	<u>\$ 25,432,765</u>	<u>\$ 2,088,636</u>	<u>\$ 731,778</u>

**CITY OF RED WING  
RED WING, MINNESOTA  
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS  
FOR TAX INCREMENT DISTRICT #7-1  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Unaudited)**

*Schedule D*

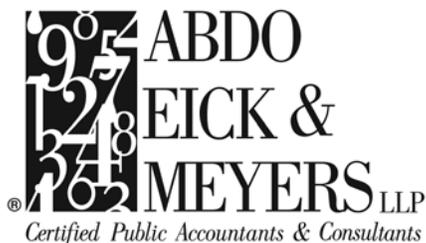
	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
<b>Sources of Funds:</b>				
Tax increments received	\$ 6,092,300	\$ 1,475,926	\$ 182,081	\$ (4,434,293)
Interest on invested funds	-	172	-	(172)
Total Sources of Funds	<u>6,092,300</u>	<u>1,476,098</u>	<u>182,081</u>	<u>(4,434,465)</u>
<b>Uses of Funds:</b>				
Acquisition costs	2,615,000	1,029,206	-	1,585,794
Site improvements	602,300	-	-	602,300
Note interest payments	2,460,000	372,923	172,977	1,914,100
Administration	295,000	11,106	69,848	214,046
Capitalized interest	120,000	-	-	120,000
Total Uses of Funds	<u>6,092,300</u>	<u>1,413,235</u>	<u>242,825</u>	<u>4,436,240</u>
District Balance (or Deficiency)	<u>-</u>	<u>62,863</u>	<u>(60,744)</u>	<u>1,775</u>
Funds Remaining (or Deficiency)	<u>\$ -</u>	<u>\$ 62,863</u>	<u>\$ (60,744)</u>	<u>\$ 1,775</u>

**SINGLE AUDIT AND  
OTHER REQUIRED REPORTS**

CITY OF RED WING  
RED WING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## AUDITOR'S REPORT ON 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2013.

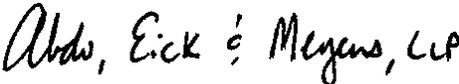
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

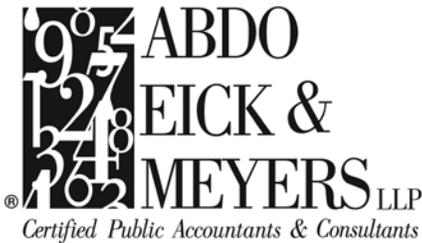
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

The purpose of this report is solely to describe the scope of our testing of compliance with certain *provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

June 21, 2013  
Mankato, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants



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Mankato, MN 56002-3166

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, 2012, 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 21, 2013.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective 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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, as described in the accompanying Schedule of Findings, Responses and Questioned Costs as finding 2012-1.

We noted certain matters that we reported to management of the City in a separate letter dated June 21, 2013.

### 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.

June 21, 2013  
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY *OMB CIRCULAR A-133*

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 Circular A-133 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, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2012.



### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2012-1. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

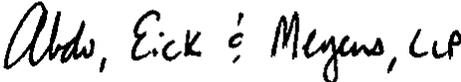
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

June 21, 2013  
Mankato, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

CITY OF RED WING, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Awarding Agency	Pass-through Entity	Program Name	Federal Domestic Assistance Number	State or Other Contract Number	Amount Expended
U.S. Department of Justice	Minnesota Department of Public Safety	Bulletproof Vest Partnership Program	16.607		\$ 420
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106		352,503
U.S. Department of Transportation	Minnesota Department of Transportation	Department of Transportation Direct Programs Highway Planning and Construction	20.205		119,239
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Brownfields Assessment and Cleanup Cooperative Agreements	66.818		78,212
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036		160,904
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Assistance to Firefighters Grant	97.044		26,070
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		65,010
U.S. Department of Health and Human Services	Minnesota Department of Health and Human Services	Voting Access for Individuals with Disabilities Grants to States	97.078		1,300
National Endowment for the Arts		Promotion of the Arts Grants to Organizations and Individuals	45.024		<u>5,000</u>
	Total expended				<u>\$ 808,658</u>

CITY OF RED WING, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City of Red Wing, Minnesota (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly from federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

2. **Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for its major programs, which is described in Note 1C to the City's financial statements.

CITY OF RED WING, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**A. Summary of Auditor's Results**

**Financial Statements**

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the City of Red Wing, Minnesota (the City).
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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 *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.

**Federal Awards**

1. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by *OMB Circular A-133*.
2. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
3. An audit finding relative to the major federal awards programs for the City is reported in Section C.
4. The program tested as major programs included:

	<u>CFDA</u>
Airport Improvement Program	20.106
Highway Planning and Construction	20.205

5. The threshold for distinguishing between Types A and B programs was \$300,000.
6. The City did not qualify as a low-risk auditee.

**B. Findings - Financial Statement Audit**

None.

CITY OF RED WING, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**C. Findings, Responses and Questioned Costs - Major Federal Award Programs Audit**

Finding   Description

**2012-1   Cash management**

*Condition:*            During our audit, we noted that two payments to vendors for the Highway Planning and Construction award program, 20.205, were paid over 30 days after the City had received the funds from the State.

*Criteria:*              When awards are funded on a reimbursement basis, the costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

*Cause:*                 City staff was unaware the two payments to the vendors hadn't occurred prior to the receipt of Federal funds.

*Effect:*                Interest may have been earned on Federal cash draw and may have to be returned to the appropriate agency.

*Recommendation:* We recommend that the City determine if interest was earned the Federal cash draw and be returned if necessary. We also recommend that the City modify its procedures to ensure compliance with cash management compliance over Federal award programs.

*Management response:*

We concur with the audit finding. We have made internal inquiries, reviewed procedures and determined the cause of the finding. We have modified procedures to ensure compliance over Federal award programs. No interest was earned on the Federal funds.

**Corrective Action Plan (CAP):**

**Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will determine if interest was earned the Federal cash draw and return any funds if necessary. The City will also modify its procedures to ensure compliance with cash management compliance over Federal award programs.

**Official Responsible for Ensuring CAP:**

Marshall Hallock, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

December 31, 2013.

**Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.