

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2017



Hoffman, Philipp, & Knutson, PLLC

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

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THIEF RIVER FALLS, MINNESOTA**

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INTRODUCTORY SECTION

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

ORGANIZATION SCHEDULE
DECEMBER 31, 2017

<u>Position</u>	<u>City Council</u>	<u>Term Expires</u>
Mayor	Brian D. Holmer	2018
Council Member:		
First Ward	Curtis Howe	2018
Second Ward	Don Sollom	2020
Third Ward	Josh Hagen	2018
Fourth Ward (Vice Mayor)	Jerald Brown	2020
Fifth Ward	Rachel Prudhomme	2018
At Large	Steve Narverud	2018
At Large	Jason Aarestad	2020
City Administrator	Rodney Otterness	Indefinite
Finance Director	Angela Philipp	Indefinite

FINANCIAL SECTION



Hoffman, Philipp, & Knutson, PLLC

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Thief River Falls

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Thief River Falls's basic financial statements. The introductory section, the supplementary information, the other schedules section, and the statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, other schedules, and statistical sections 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 22, 2018, on our consideration of the City of Thief River Falls' 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.



Hoffman, Philipp, & Knutson, PLLC
June 22, 2018



City of Thief River Falls

FINANCE DIRECTOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of the City of Thief River Falls offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Thief River Falls for the fiscal year ended December 31, 2017. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$32,877,956, of which \$27,021,598 is the net investment in capital assets, \$3,007,243 is restricted for debt service and economic development, and \$2,849,115 is unrestricted. The total net position of governmental activities decreased by \$325,478 for the year ended December 31, 2017, as a result of the issuance of debt and depreciation expense.

The total net position of business-type activities is \$20,081,226, of which \$12,209,755 is the net investment in capital assets, \$15,788 is restricted for electric surplus, and \$7,855,683 is unrestricted. The total net position of business-type activities increased by \$1,531,309 in 2017, as a result of outperformance of historically conservative budgeted estimates for expenditures.

At the close of 2017, the City's General Fund reported an ending fund balance of \$2,199,651, a decrease of \$119,844, from the prior year. Of the total fund balance amount, \$305,191 is the assigned fund balance, and \$1,894,460 is noted as unassigned fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 government'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. 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).

In the *Statement of Net Position* and the *Statement of Activities*, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, culture and recreation, and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities**—The City charges fees to cover the costs of certain services it provides. Included here are the operations of the municipal liquor store and the utilities – electric, water, wastewater, and storm water.

The government-wide financial statements can be found as Exhibits 1 and 2 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 of Thief River Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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, fund-level 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 of the government's short-term financing decisions.

Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other nonmajor governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Thief River Falls adopts an annual budget for the General Fund, and a budgetary comparison schedule has been provided to demonstrate compliance with the budget.

Proprietary Funds The City maintains two types of proprietary funds. (1) Enterprise Funds are used to report functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Liquor Dispensary, and Electric, Water, Wastewater, and Storm Water Systems. The Liquor, Electric, Water, and Wastewater Funds are all considered to be major Funds. The Storm Water nonmajor fund is also presented in the Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position. (2) Internal Service Funds are used to accumulate and allocate costs internally among City functions. The City uses an Internal Service Fund to account for services provided to other departments or funds on a cost reimbursement basis. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting used for the Police Relief Association Retirement System Pension Trust Fund is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements 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 beginning on page 28 of this report.

Other information— In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City also provides supplementary, statistical, and other information including combining statements and a schedule of intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$52,959,182 at the close of 2017. The largest portion of the City's net position (approximately 74 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Six percent of the City's net position is restricted for debt service, economic development, and electric surplus, and approximately 20 percent is unrestricted. The unrestricted net position amount of \$10,704,798 as of December 31, 2017, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$7,917,006, from the prior year, primarily as a result of infrastructure improvements. Total liabilities increased by \$904,602 from the prior year, primarily due to the issuance of bonds. This resulted in an increased net position of \$1,205,832 from the prior year.

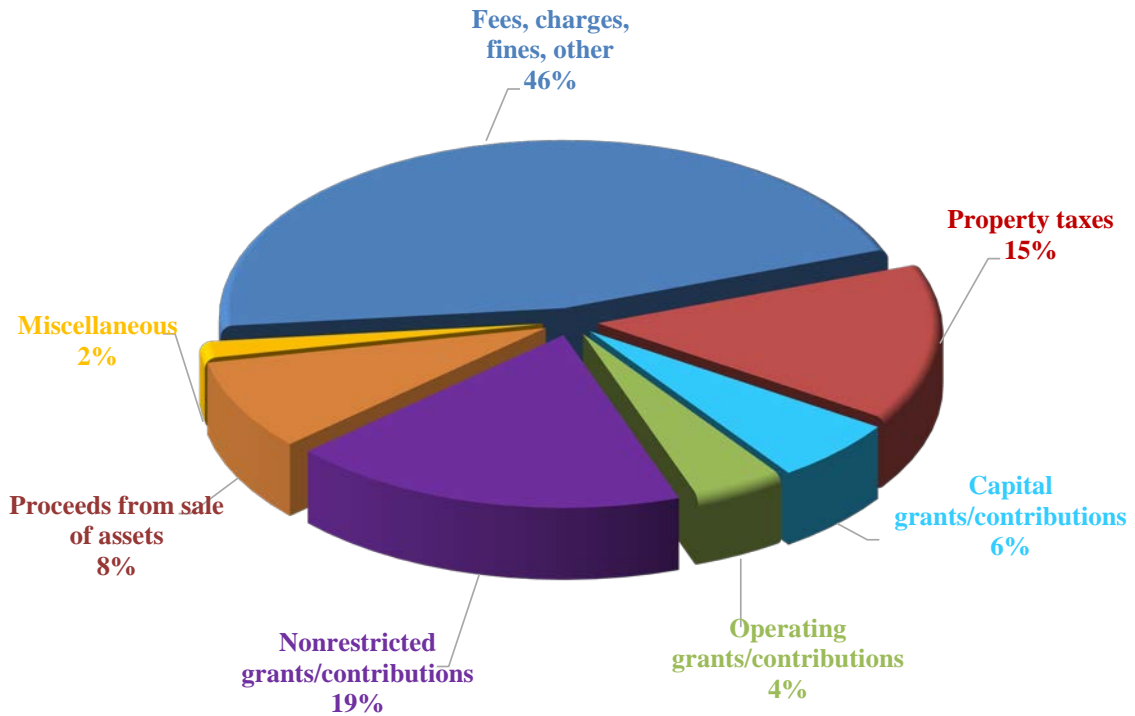
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 12,844,942	\$ 11,318,036	\$ 12,504,109	\$ 8,556,639	\$ 25,349,051	\$ 19,874,675
Capital assets	33,436,598	34,118,998	24,539,056	21,414,026	57,975,654	55,533,024
Total assets	\$ 46,281,540	\$ 45,437,034	\$ 37,043,165	\$ 29,970,665	\$ 83,324,705	\$ 75,407,699
Deferred outflows - pensions	\$ 4,257,147	\$ 5,351,526	\$ 960,976	\$ 1,242,496	\$ 5,218,123	\$ 6,594,022
Other liabilities	\$ 653,568	\$ 948,783	\$ 2,084,585	\$ 1,769,842	\$ 2,738,153	\$ 2,718,625
Long-term liabilities outstanding	12,231,380	15,711,940	14,951,932	10,586,298	27,183,312	26,298,238
Total liabilities	\$ 12,884,948	\$ 16,660,723	\$ 17,036,517	\$ 12,356,140	\$ 29,921,465	\$ 29,016,863
Deferred inflows - pensions	\$ 4,775,783	\$ 924,404	\$ 886,398	\$ 307,104	\$ 5,662,181	\$ 1,231,508
Net position						
Net investment in capital assets	\$ 27,021,598	\$ 29,313,095	\$ 12,209,755	\$ 13,474,842	\$ 39,231,353	\$ 42,787,937
Restricted	3,007,243	1,351,401	15,788	-	3,023,031	1,351,401
Unrestricted	2,849,115	2,538,937	7,855,683	5,075,075	10,704,798	7,614,012
Total net position	\$ 32,877,956	\$ 33,203,433	\$ 20,081,226	\$ 18,549,917	\$ 52,959,182	\$ 51,753,350

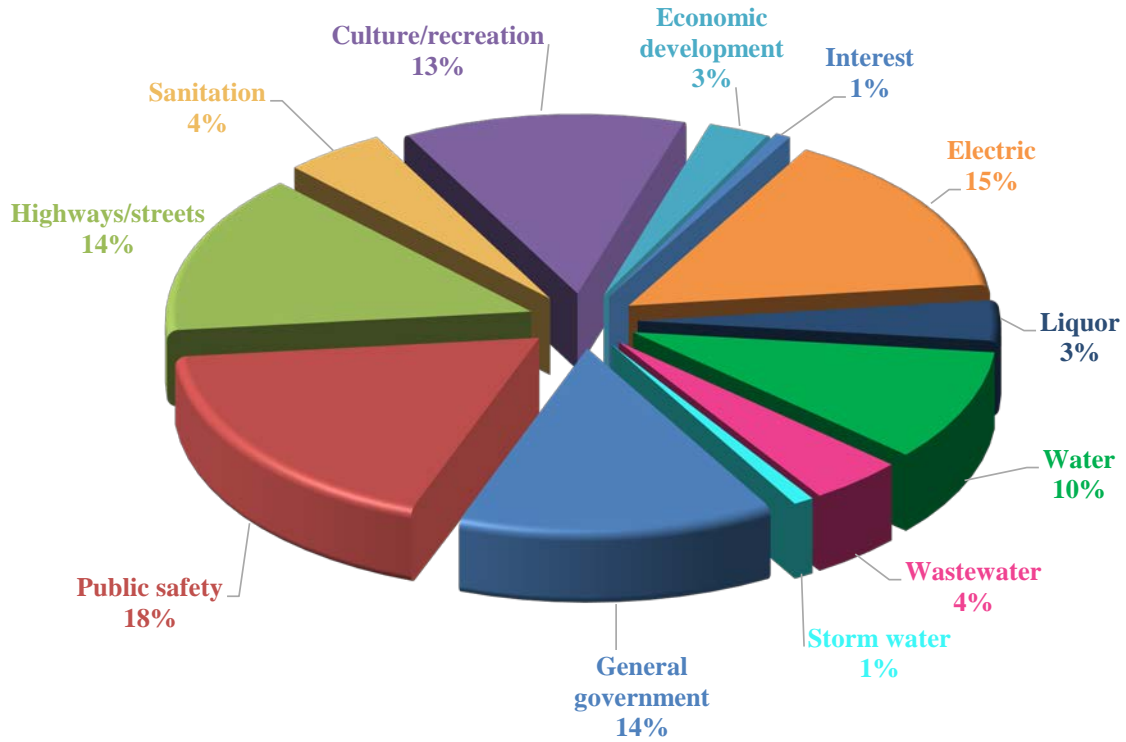
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 3,484,499	\$ 2,739,541	\$ 22,763,641	\$ 22,482,992	\$ 26,248,140	\$ 25,222,533
Operating grants and contributions	694,399	516,004	-	-	694,399	516,004
Capital grants and contributions	948,193	3,353,913	5,544	3,710	953,737	3,357,623
General Revenues and Transfers						
Property taxes	2,403,705	2,334,644	-	-	2,403,705	2,334,644
Franchise Tax	211,829	191,046	-	-	211,829	191,046
Grants and contributions not restricted to specific programs	3,002,226	2,984,925	-	-	3,002,226	2,984,925
Investment earnings	38,652	41,653	57,846	34,987	96,498	76,640
Miscellaneous	-	-	486,987	67,314	486,987	67,314
Transfers	867,731	1,114,419	(867,731)	(1,114,419)	-	-
Proceeds from sale of assets	1,368,062	-	-	-	1,368,062	-
Total revenues	\$ 13,019,296	\$ 13,276,145	\$ 22,446,287	\$ 21,474,584	\$ 35,465,583	\$ 34,750,729
Expenses						
General government	\$ 2,812,715	\$ 2,524,756	\$ -	\$ -	\$ 2,812,715	\$ 2,524,756
Public safety	3,538,649	3,733,004	-	-	3,538,649	3,733,004
Highways and streets	2,870,989	1,655,387	-	-	2,870,989	1,655,387
Sanitation	893,556	899,489	-	-	893,556	899,489
Culture and recreation	2,541,220	2,533,258	-	-	2,541,220	2,533,258
Economic development	552,079	1,247,170	-	-	552,079	1,247,170
Interest	135,566	130,924	-	-	135,566	130,924
Electric	-	-	13,745,213	13,470,384	13,745,213	13,470,384
Liquor	-	-	4,180,895	4,235,155	4,180,895	4,235,155
Water	-	-	1,976,273	1,956,647	1,976,273	1,956,647
Wastewater	-	-	831,731	865,938	831,731	865,938
Stormwater	-	-	180,866	139,871	180,866	139,871
Total expenses	\$ 13,344,774	\$ 12,723,988	\$ 20,914,978	\$ 20,667,995	\$ 34,259,752	\$ 33,391,983
Increase (decrease) in net position	\$ (325,478)	\$ 552,157	\$ 1,531,309	\$ 806,589	\$ 1,205,831	\$ 1,358,746
Net position, January 1, as previously reported	\$ 33,203,433	\$ 32,409,825	\$ 18,549,917	\$ 17,743,328	\$ 51,753,350	\$ 50,153,153
Prior period adjustment	-	241,451	-	-	-	241,451
Net position, January 1, as restated	\$ 33,203,433	\$ 32,651,276	\$ 18,549,917	\$ 17,743,328	\$ 51,753,350	\$ 50,394,604
Net position, December 31	\$ 32,877,956	\$ 33,203,433	\$ 20,081,226	\$ 18,549,917	\$ 52,959,182	\$ 51,753,350

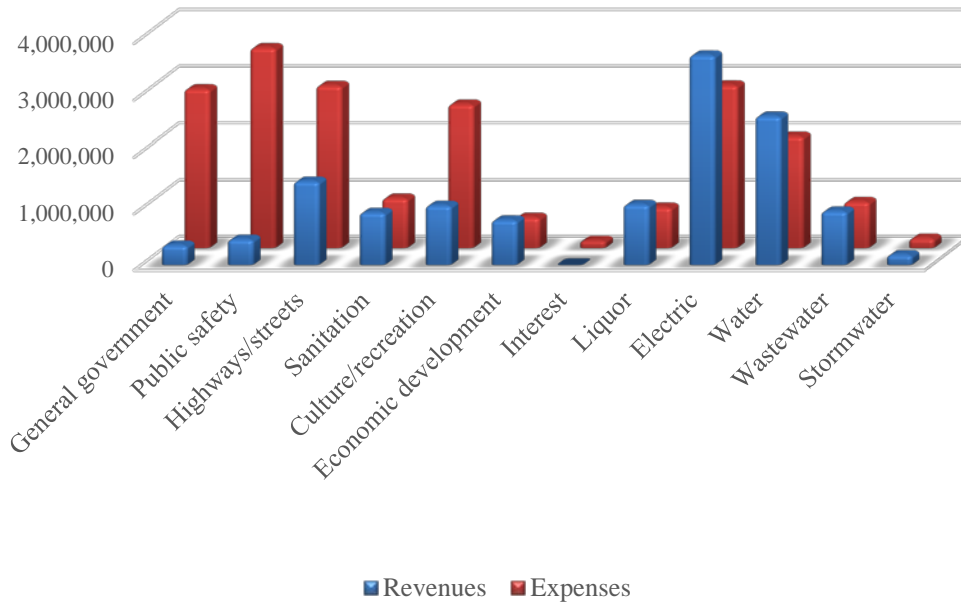
Revenues by Source



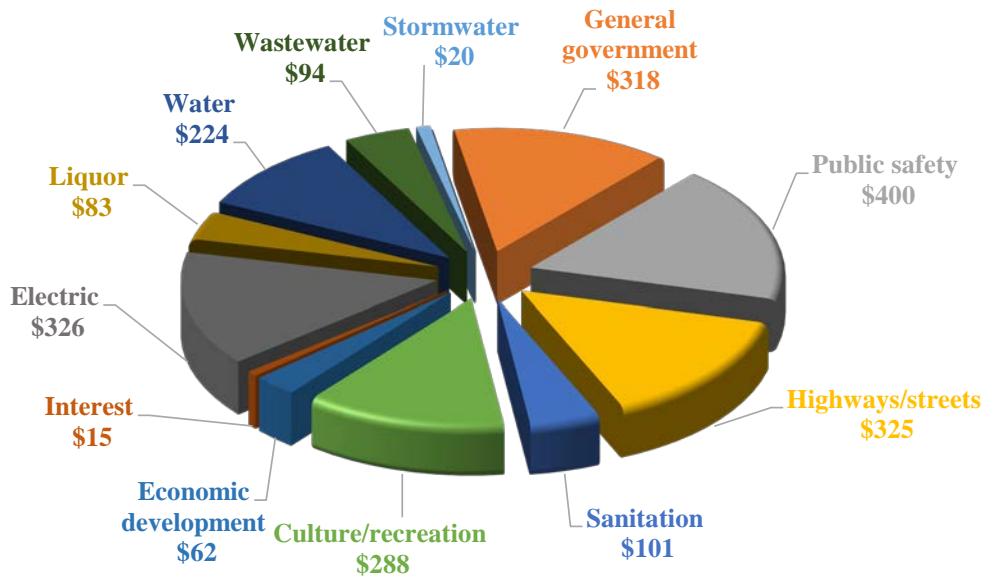
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,836 Population as of December 31, 2017



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2017, the City's governmental funds reported combined ending fund balances of \$8,530,467. Of this amount, approximately 8 percent constitutes non-spendable fund balance, 37 percent constitutes legally or contractually restricted fund balance, 5 percent constitutes formally committed fund balance, 35 percent constitutes specifically assigned fund balance, and 15 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$2,199,651. The General Fund's assigned fund balance was \$305,191 and unassigned fund balance was \$1,894,460. The General Fund has no non-spendable, restricted, or committed fund balance. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2017. Total fund balance represents 24 percent of total General Fund expenditures.

In 2017, the fund balance amount in the General Fund decreased by \$119,844. This decrease is attributed to interfund loans for capital outlay.

Proprietary Funds

The Liquor Enterprise Fund reported an operating income in 2017 of \$357,469, indicating that it is charging for products and services at a normal margin for this type of business.

The Electric Enterprise Fund reported an operating income in 2017 of \$711,453, mainly because purchased power cost did not increase as much as anticipated.

The Water Enterprise Fund reported an operating income in 2017 of \$929,335, as a result of user fees in excess of operating costs from the anticipation of construction projects scheduled for 2017 and 2018.

The Wastewater Enterprise Fund reported an operating income in 2017 of \$145,764.

The Storm Water Enterprise Fund reported an operating income in 2017 of \$6,495.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$261,985, with the largest variance in intergovernmental and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$527,336, primarily as a result of unbudgeted capital outlay. Budget amendments to the General Fund in 2017 included highways and streets, and culture and recreation.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$57,975,654 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was five percent. This increase was primarily due to the street and utilities construction in progress, completed road projects added to infrastructure, and various equipment purchases.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 796,391	\$ 867,491	\$ 396,194	\$ 425,232	\$ 1,192,585	\$ 1,292,723
Construction in progress	546,013	1,514,187	3,071,049	1,586,447	3,617,062	3,100,634
Buildings	11,747,006	12,205,293	931,343	3,275,170	12,678,349	15,480,463
Infrastructure	18,847,255	18,113,398	15,699,112	15,202,956	34,546,367	33,316,354
Machinery and equipment	1,499,933	1,418,628	4,441,358	924,221	5,941,291	2,342,849
Total capital assets	<u>\$ 33,436,598</u>	<u>\$ 34,118,997</u>	<u>\$ 24,539,056</u>	<u>\$ 21,414,026</u>	<u>\$ 57,975,654</u>	<u>\$ 55,533,023</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

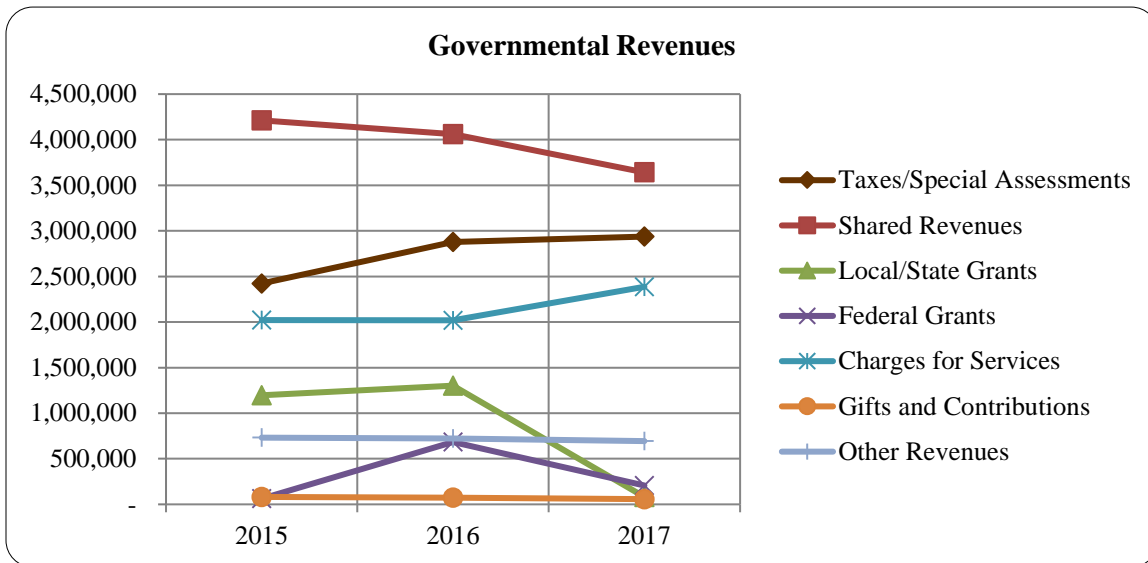
At the end of the current fiscal year, the City had total debt outstanding of \$18,557,060 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
G.O. Bonds	\$ 6,415,000	\$ 5,655,000	\$ -	\$ -	\$ 6,415,000	\$ 5,655,000
G.O. Revenue Bonds	-	-	12,142,060	7,168,244	12,142,060	7,168,244
	<u>\$ 6,415,000</u>	<u>\$ 5,655,000</u>	<u>\$ 12,142,060</u>	<u>\$ 7,168,244</u>	<u>\$ 18,557,060</u>	<u>\$ 12,823,244</u>

Minnesota Statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2017, the City's estimated market value was \$464.4 million with overall debt of 1.6 percent. The City's current bond rating from Standard and Poor's Global Ratings is AA- with a stable outlook. Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities. The analysis below focuses on the revenues of the City's governmental funds taken from Exhibit 5 and the Schedule of Intergovernmental Revenue.



- Specific unemployment statistics for the City of Thief River Falls are not available. However, the unemployment rate for Pennington County was 6.4 percent as of December 31, 2017. This is higher than the statewide rate of 3.4 percent and the national average rate of 3.9 percent.
- Thief River Falls' population as of December 31, 2017, was 8,836, an increase of 263 since the 2010 census of 8,573.
- On December 19, 2017, the City of Thief River Falls set its 2018 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the City of Thief River Falls 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 City of Thief River Falls Administrator's Office at 405 Third Street East, P.O. Box 528, Thief River Falls, Minnesota 56701, (218)681-2943, or aphilipp@citytrf.net.

BASIC FINANCIAL STATEMENTS

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 9,623,201	\$ 8,905,724	\$ 18,528,925
Cash with fiscal agent	82,822	-	82,822
Taxes receivable			
Current	47,166	-	47,166
Prior	69,904	-	69,904
Special assessments receivable			
Current	7,059	1,145	8,204
Prior	11,007	185	11,192
Accounts receivable	152,853	1,721,979	1,874,832
Accrued interest receivable	5,497	7,089	12,586
Due from other governments	83,249	-	83,249
Inventory	26,040	1,146,743	1,172,783
Loans receivable (net)	1,135,452	1,453	1,136,905
Internal balances	(621,742)	621,742	-
Net pension asset	295,573	-	295,573
Special assessments receivable - noncurrent	1,926,861	98,049	2,024,910
Capital assets			
Non-depreciable	1,342,404	4,837,552	6,179,956
Depreciable - net of accumulated depreciation	32,094,194	19,701,504	51,795,698
Total Assets	\$ 46,281,540	\$ 37,043,165	\$ 83,324,705
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 4,257,147	\$ 960,976	\$ 5,218,123
<u>Liabilities</u>			
Accounts payable	\$ 370,771	\$ 1,479,866	\$ 1,850,637
Salaries payable	178,049	82,035	260,084
Due to other governments	39,807	153,972	193,779
Accrued interest payable	64,941	147,746	212,687
Customer deposits	-	220,966	220,966
Long-term liabilities			
Due within one year	1,276,134	1,153,227	2,429,361
Due in more than one year	10,955,246	13,798,705	24,753,951
Total Liabilities	\$ 12,884,948	\$ 17,036,517	\$ 29,921,465
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 4,775,783	\$ 886,398	\$ 5,662,181
<u>Net Position</u>			
Net investment in capital assets	\$ 27,021,598	\$ 12,209,755	\$ 39,231,353
Amounts restricted for			
Debt service	1,591,761	-	1,591,761
Economic development	1,415,482	-	1,415,482
Electric surplus	-	15,788	15,788
Unrestricted amounts	2,849,115	7,855,683	10,704,798
Total Net Position	\$ 32,877,956	\$ 20,081,226	\$ 52,959,182

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Fees, Charges, Fines and Other</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental activities			
General government	\$ 2,812,715	\$ 357,811	\$ -
Public safety	3,538,649	219,565	244,120
Highways and streets	2,870,989	263,150	302,740
Sanitation	893,556	940,374	-
Culture and recreation	2,541,220	1,020,599	24,396
Economic development	552,079	683,000	123,143
Interest	135,566	-	-
Total governmental activities	\$ 13,344,774	\$ 3,484,499	\$ 694,399
Business-type activities			
Electric	\$ 13,745,213	\$ 14,441,869	\$ -
Liquor	4,180,895	4,538,364	-
Water	1,976,273	2,632,047	-
Wastewater	831,731	964,000	-
Storm Water	180,866	187,361	-
Total business-type activities	\$ 20,914,978	\$ 22,763,641	\$ -
Total Primary Government	\$ 34,259,752	\$ 26,248,140	\$ 694,399

General revenues and transfers

Property taxes
Franchise tax
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Transfers
Proceeds from sale of assets

Total general revenues and transfers

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (2,454,904)	\$ -	\$ (2,454,904)	
-	(3,074,964)	-	(3,074,964)	
928,034	(1,377,065)	-	(1,377,065)	
-	46,818	-	46,818	
20,159	(1,476,066)	-	(1,476,066)	
-	254,064	-	254,064	
-	(135,566)	-	(135,566)	
\$ 948,193	\$ (8,217,683)	\$ -	\$ (8,217,683)	
\$ -	-	\$ 696,656	\$ 696,656	
-	-	357,469	357,469	
-	-	655,774	655,774	
5,544	-	137,813	137,813	
-	-	6,495	6,495	
\$ 5,544	\$ -	\$ 1,854,207	\$ 1,854,207	
\$ 953,737	\$ (8,217,683)	\$ 1,854,207	\$ (6,363,476)	
	\$ 2,403,705	\$ -	\$ 2,403,705	
	211,829	-	211,829	
	3,002,226	-	3,002,226	
	38,652	57,846	96,498	
	-	486,987	486,987	
	867,731	(867,731)	-	
	1,368,062	-	1,368,062	
	\$ 7,892,205	\$ (322,898)	\$ 7,569,307	
	\$ (325,478)	\$ 1,531,309	\$ 1,205,831	
	33,203,434	18,549,917	51,753,351	
	\$ 32,877,956	\$ 20,081,226	\$ 52,959,182	

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>			
Assets			
Cash and pooled investments	\$ 2,763,016	\$ 6,049,616	\$ 8,812,632
Cash with fiscal agent	-	82,822	82,822
Taxes receivable			
Current	40,027	7,139	47,166
Prior	60,458	9,446	69,904
Special assessments receivable			
Current	-	7,059	7,059
Prior	141	10,866	11,007
Accounts receivable	147,262	1,000	148,262
Interest receivable	1,285	3,444	4,729
Due from other funds	-	466,488	466,488
Due from other governments	15,239	68,010	83,249
Loans receivable	485,364	650,088	1,135,452
Inventory	25,551	-	25,551
Special assessments receivable - noncurrent	23,316	1,903,545	1,926,861
	\$ 3,561,659	\$ 9,259,523	\$ 12,821,182
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 274,970	\$ 95,050	\$ 370,020
Salaries payable	177,538	511	178,049
Due to other funds	300,488	787,742	1,088,230
Due to other governments	39,733	74	39,807
	\$ 792,729	\$ 883,377	\$ 1,676,106
Deferred Inflows of Resources			
Taxes	\$ 60,458	\$ 9,446	\$ 69,904
Loans	485,364	63,684	549,048
Special assessments	23,457	1,914,411	1,937,868
Municipal state aid	-	57,789	57,789
	\$ 569,279	\$ 2,045,330	\$ 2,614,609

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Other Governmental Funds (Statement 1)	Total Governmental Funds
Fund Balances			
Nonspendable			
Loans receivable	\$ -	\$ 651,561	\$ 651,561
Restricted for			
Debt service	-	1,591,761	1,591,761
Economic development	-	1,430,482	1,430,482
TIF district	-	93,536	93,536
Committed to			
K-9 Unit	-	13,995	13,995
Perpetual care	-	171,513	171,513
Train canopy	-	34,987	34,987
Splash park	-	2,286	2,286
Swimming pool	-	243,139	243,139
Assigned to			
General government	91,486	173,651	265,137
Public safety	66,320	-	66,320
Culture and recreation	96,587	-	96,587
Capital projects	-	2,562,333	2,562,333
Economic development	50,798	-	50,798
Unassigned	1,894,460	(638,428)	1,256,032
Total Fund Balances	\$ 2,199,651	\$ 6,330,816	\$ 8,530,467
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,561,659	\$ 9,259,523	\$ 12,821,182

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds (Exhibit 3)	\$	8,530,467
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		33,436,598
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.</p>		2,614,609
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences payable	\$ (822,941)	
Other post employment benefits	(951,900)	
Accrued interest payable	(64,941)	
General obligation bonds payable	<u>(6,532,594)</u>	(8,372,376)
<p>Net pension liability and related outflows/inflows of resources represent the allocation of the pension obligations of the statewide plans to the City. Such balances are not reported in the governmental funds:</p>		
Deferred outflows of resources related to pensions	\$ 4,257,147	
Deferred inflows of resources related to pensions	(4,775,783)	
Net pension asset	295,573	
Net pension liability	<u>(3,923,945)</u>	(4,147,008)
<p>Internal service fund are used by management to account for services provided to other departments or funds on a cost reimbursement basis. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.</p>		<u>815,666</u>
Net position of governmental activities (Exhibit 1)	\$	<u>32,877,956</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues			
Taxes	\$ 1,950,623	\$ 653,794	\$ 2,604,417
Special assessments	22,630	310,121	332,751
Licenses and permits	120,308	-	120,308
Intergovernmental	3,515,598	412,684	3,928,282
Charges for services	2,354,411	32,300	2,386,711
Fines and forfeitures	67,410	-	67,410
Investment earnings	7,840	25,217	33,057
Gifts and contributions	17,396	39,910	57,306
Miscellaneous	155,158	317,925	473,083
Total Revenues	\$ 8,211,374	\$ 1,791,951	\$ 10,003,325
Expenditures			
Current			
General government	\$ 1,332,331	\$ 337,810	\$ 1,670,141
Public safety	3,112,112	10,494	3,122,606
Highways and streets	857,296	-	857,296
Sanitation	852,130	-	852,130
Culture and recreation	2,005,138	10,117	2,015,255
Economic development	414,697	137,382	552,079
Debt service			
Principal retirement	-	535,000	535,000
Interest	-	125,220	125,220
Capital outlay			
Public safety	198,713	-	198,713
Highways and streets	52,900	1,429,625	1,482,525
Culture and recreation	303,795	489,243	793,038
Total Expenditures	\$ 9,129,112	\$ 3,074,891	\$ 12,204,003
Excess of Revenues Over (Under) Expenditures	\$ (917,738)	\$ (1,282,940)	\$ (2,200,678)
Other Financing Sources (Uses)			
Transfers in	\$ 1,280,359	\$ 492,230	\$ 1,772,589
Transfers out	(482,465)	(539,100)	(1,021,565)
Proceeds from issuance of debt	-	1,369,317	1,369,317
Proceeds from sale of asset	-	1,368,062	1,368,062
Total Other Financing Sources (Uses)	\$ 797,894	\$ 2,690,509	\$ 3,488,403
Net Change in Fund Balance	\$ (119,844)	\$ 1,407,569	\$ 1,287,725
Fund Balance - January 1	2,319,495	4,923,247	7,242,742
Fund Balance - December 31	\$ 2,199,651	\$ 6,330,816	\$ 8,530,467

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,287,725

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
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$	6,700,325	
Current year depreciation		(1,333,718)	
Net book value of assets disposed		<u>(6,049,007)</u>	(682,400)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the governmental funds.

Change in deferred inflows of resources	774,583
---	---------

The issuance of long-term debt provides current financial resources to governmental
funds, but increases long-term liabilities in the Statement of Net Position, while the
repayment of principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction has any effect on net position.

Principal repayments			
General obligation bonds	\$	355,000	
General obligation revenue bonds		180,000	
Proceeds from issuance of debt		<u>(1,369,317)</u>	(834,317)

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.

Change in			
Amortization of discount/premium	\$	43,277	
Accrued interest payable		(5,747)	
Compensated absences payable		(168,581)	
Other post employment benefits		<u>(62,500)</u>	(193,551)

Net pension liability does not represent the impending use of current resources.
Therefore, the change in the liability and the related deferrals are not
reported in the governmental funds. (323,314)

The internal service fund is used by management to account for services provided to other
departments or funds on a cost reimbursement basis. A portion of the net revenue of
certain activities of the internal service fund is reported with governmental activities. (354,204)

Change in net position of governmental activities (Exhibit 2) \$ (325,478)

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
Assets							
Current Assets							
Cash and pooled investments	\$ 1,112,748	\$ 2,783,512	\$ 2,706,157	\$ 728,864	\$ 358,591	\$ 7,689,872	\$ 2,026,421
Special assessments receivable - current	-	-	-	1,145	-	1,145	-
Special assessments receivable - prior	-	-	-	185	-	185	-
Accounts receivable	1,264	1,424,107	199,806	72,390	17,525	1,715,092	11,478
Interest receivable	1,049	2,078	1,832	608	370	5,937	1,920
Loans receivable	-	1,453	-	-	-	1,453	-
Due from other funds	-	-	787,742	-	-	787,742	-
Inventory	610,261	395,997	139,751	-	-	1,146,009	-
Total Current Assets	\$ 1,725,322	\$ 4,607,147	\$ 3,835,288	\$ 803,192	\$ 376,486	\$ 11,347,435	\$ 2,039,819
Noncurrent Assets							
Special assessments receivable - noncurrent	\$ -	\$ -	\$ -	\$ 98,049	\$ -	\$ 98,049	\$ -
Capital assets							
Non-depreciable	178,942	24,014	4,523,346	111,250	-	4,837,552	-
Depreciable - net of accumulated depreciation	255,689	4,903,975	8,602,442	3,877,742	2,061,656	19,701,504	-
Total Noncurrent Assets	\$ 434,631	\$ 4,927,989	\$ 13,125,788	\$ 4,087,041	\$ 2,061,656	\$ 24,637,105	\$ -
Total Assets	\$ 2,159,953	\$ 9,535,136	\$ 16,961,076	\$ 4,890,233	\$ 2,438,142	\$ 35,984,540	\$ 2,039,819
Deferred Outflows of Resources							
Related to pensions	\$ 147,628	\$ 524,725	\$ 150,419	\$ 138,204	\$ -	\$ 960,976	\$ -
Liabilities							
Current Liabilities							
Accounts payable	\$ 148,857	\$ 1,046,659	\$ 267,285	\$ 14,909	\$ 1,030	\$ 1,478,740	\$ 1,877
Compensated absences payable	78,068	174,454	55,060	37,883	-	345,465	-
Salaries payable	13,464	43,544	15,623	9,223	181	82,035	-
Interest payable	-	6,691	136,346	4,709	-	147,746	-
Due to other governments	42,835	107,314	2,434	1,362	27	153,972	-
Due to other funds	-	-	-	-	166,000	166,000	-
GO revenue bonds payable	-	105,000	622,050	80,712	-	807,762	-
Customer deposits payable	-	220,966	-	-	-	220,966	-
Total Current Liabilities	\$ 283,224	\$ 1,704,628	\$ 1,098,798	\$ 148,798	\$ 167,238	\$ 3,402,686	\$ 1,877
Noncurrent Liabilities							
Other post employment benefits	\$ 34,400	\$ 134,200	\$ 25,300	\$ 26,700	\$ -	\$ 220,600	\$ -
Compensated absences payable	15,007	53,302	7,778	14,773	-	90,860	-
Net pension liability	323,531	1,230,950	261,714	255,847	-	2,072,042	-
GO revenue bonds payable (net)	-	680,684	10,329,568	404,951	-	11,415,203	-
Total Noncurrent Liabilities	\$ 372,938	\$ 2,099,136	\$ 10,624,360	\$ 702,271	\$ -	\$ 13,798,705	\$ -
Total Liabilities	\$ 656,162	\$ 3,803,764	\$ 11,723,158	\$ 851,069	\$ 167,238	\$ 17,201,391	\$ 1,877
Deferred Inflows of Resources							
Related to pensions	\$ 135,931	\$ 479,423	\$ 141,626	\$ 129,418	\$ -	\$ 886,398	\$ -
Net Position							
Net investment in capital assets	\$ 434,631	\$ 3,966,746	\$ 2,231,388	\$ 3,515,332	\$ 2,061,658	\$ 12,209,755	\$ -
Restricted for electric surplus	-	15,788	-	-	-	15,788	-
Unrestricted amounts	1,080,857	1,794,140	3,015,323	532,618	209,246	6,632,184	2,037,942
Total Net Position	\$ 1,515,488	\$ 5,776,674	\$ 5,246,711	\$ 4,047,950	\$ 2,270,904	\$ 18,857,727	\$ 2,037,942
						1,223,499	
							Net position of business-type activities
							\$ 20,081,226

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Liquor Enterprise	Electric Enterprise	Water Enterprise	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
Sales and Cost of Goods Sold							
Sales	\$ 4,537,646	\$ 14,321,811	\$ -	\$ -	\$ -	\$ 18,859,457	\$ 397,880
Cost of goods sold	(3,456,568)	(10,852,753)	-	-	-	(14,309,321)	-
Gross Profit	\$ 1,081,078	\$ 3,469,058	\$ -	\$ -	\$ -	\$ 4,550,136	\$ 397,880
Operating Revenues							
Charges for services	\$ -	\$ -	\$ 2,604,234	\$ 950,200	\$ 187,361	\$ 3,741,795	\$ -
Miscellaneous	718	120,058	27,813	13,800	-	162,389	-
Operating Revenues	\$ 718	\$ 120,058	\$ 2,632,047	\$ 964,000	\$ 187,361	\$ 3,904,184	\$ -
Total Gross Profit and Operating Revenues	\$ 1,081,796	\$ 3,589,116	\$ 2,632,047	\$ 964,000	\$ 187,361	\$ 8,454,320	\$ 397,880
Operating Expenses							
Personnel services	\$ 456,408	\$ 1,562,646	\$ 474,436	\$ 460,673	\$ 29,154	\$ 2,983,317	\$ 35,297
Professional services	-	28,898	-	-	-	28,898	-
Advertising	54,451	-	-	-	-	54,451	-
Chemicals	45,552	-	406,783	-	-	452,335	-
Fuel	-	-	5,075	-	-	5,075	-
Insurance	23,250	60,583	24,873	23,597	-	132,303	397,493
License and permits	54,461	-	27,192	11,776	7,769	101,198	-
Repairs and maintenance	8,268	318,874	106,804	25,121	46,355	505,422	38,049
Supplies	13,812	61,526	9,623	28,029	4,579	117,569	48,532
Utilities	28,851	57,057	219,587	69,892	607	375,994	-
Miscellaneous	14,100	226,348	11,886	12,727	4,000	269,061	-
Bad debts	1,719	-	-	-	-	1,719	-
Other services and charges	-	161,379	6,147	17,875	-	185,401	-
Depreciation	23,455	400,352	410,306	168,546	88,402	1,091,061	-
Total Operating Expenses	\$ 724,327	\$ 2,877,663	\$ 1,702,712	\$ 818,236	\$ 180,866	\$ 6,303,804	\$ 519,371
Operating Income (Loss)	\$ 357,469	\$ 711,453	\$ 929,335	\$ 145,764	\$ 6,495	\$ 2,150,516	\$ (121,491)
Nonoperating Revenues (Expenses)							
Special assessments	\$ -	\$ -	\$ -	\$ 5,544	\$ -	\$ 5,544	\$ -
Investment earnings	7,447	15,039	36,745	4,334	2,673	66,238	13,987
Miscellaneous	-	1,162	-	12,473	101	13,736	148,105
Interest expense	-	(14,797)	(273,561)	(13,495)	-	(301,853)	-
Total Nonoperating Revenues (Expenses)	\$ 7,447	\$ 1,404	\$ (236,816)	\$ 8,856	\$ 2,774	\$ (216,335)	\$ 162,092
Income (Loss) Before Transfers	\$ 364,916	\$ 712,857	\$ 692,519	\$ 154,620	\$ 9,269	\$ 1,934,181	\$ 40,601
Transfers in	-	-	188,455	-	51,000	239,455	264,797
Transfers out	(423,039)	(622,680)	(38,210)	(38,210)	(32,607)	(1,154,746)	(100,530)
Change in Net Position	\$ (58,123)	\$ 90,177	\$ 842,764	\$ 116,410	\$ 27,662	\$ 1,018,890	\$ 204,868
Net Position - January 1	1,573,611	5,686,497	4,403,947	3,931,540	2,243,242		1,833,074
Net Position - December 31	\$ 1,515,488	\$ 5,776,674	\$ 5,246,711	\$ 4,047,950	\$ 2,270,904		\$ 2,037,942
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						512,419	
Change in net position of business-type activities						\$ 1,531,309	

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

	Liquor Dispensary	Electric Enterprise	Water Enterprise
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,535,204	\$ 14,487,507	\$ 2,613,428
Payments to employees	(416,317)	(1,444,001)	(494,732)
Payments to suppliers	(3,687,058)	(11,706,106)	(663,558)
Net cash provided by (used in) operating activities	\$ 431,829	\$ 1,337,400	\$ 1,455,138
Cash Flows from Capital and Related Financing Activities			
Special assessments received	\$ -	\$ -	\$ -
Transfers from other funds	-	-	188,455
Transfers to other funds	(418,779)	(591,000)	(34,250)
Proceeds from issuance of debt	-	-	5,705,000
Purchase of capital assets	(3,887)	(216,908)	(4,725,896)
Loan payments received	-	1,019	-
Principal paid on debt	-	(102,000)	(563,000)
Interest paid on debt	-	(17,375)	(142,331)
Net cash provided by (used in) capital and related financing activities	\$ (422,666)	\$ (926,264)	\$ 427,978
Cash Flows from Investing Activities			
Investment earnings received	\$ 7,447	\$ 15,039	\$ 36,745
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 16,610	\$ 426,175	\$ 1,919,861
Cash and Cash Equivalents at January 1	1,096,138	2,357,337	786,296
Cash and Cash Equivalents at December 31	\$ 1,112,748	\$ 2,783,512	\$ 2,706,157
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 357,469	\$ 711,453	\$ 929,335
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 23,455	\$ 400,352	\$ 410,306
Decrease (increase) in assets			
Accounts receivable	894	(29,092)	2,923
Inventory	(4,054)	88,433	(21,542)
Due from other funds	-	24,813	-
Increase (decrease) in liabilities			
Accounts payable	16,997	56,682	152,570
Salaries payable	43	1,876	2,828
Due to other funds	-	-	(24,813)
Due to other governments	(3,023)	4,630	1,842
Compensated absences payable	24,171	45,705	(44,859)
Customer deposits payable	-	(14,722)	-
Other post employment benefit obligation	2,200	8,800	1,650
Net pension liability	13,677	38,470	44,898
Total adjustments	\$ 74,360	\$ 625,947	\$ 525,803
Net cash provided by (used in) operating activities	\$ 431,829	\$ 1,337,400	\$ 1,455,138

EXHIBIT 9

	Wastewater Enterprise	Nonmajor Storm Water Enterprise	Total	Internal Service Fund
\$	957,492	\$ 186,361	\$ 22,779,992	\$ 397,880
	(409,782)	(29,283)	(2,794,115)	(35,297)
	(182,456)	(63,735)	(16,302,913)	(484,074)
	\$ 365,254	\$ 93,343	\$ 3,682,964	\$ (121,491)
\$	5,544	-	5,544	-
	-	51,000	239,455	1,711,662
	(38,210)	(32,607)	(1,114,846)	(100,530)
	-	-	5,705,000	-
	-	(51,013)	(4,997,704)	-
	-	-	1,019	-
	(66,184)	-	(731,184)	-
	(12,166)	-	(171,872)	-
	\$ (111,016)	\$ (32,620)	\$ (1,064,588)	\$ 1,611,132
\$	4,334	2,673	66,238	13,987
\$	258,572	\$ 63,396	\$ 2,684,614	\$ 1,503,628
	470,292	295,195	5,005,258	522,793
	\$ 728,864	\$ 358,591	\$ 7,689,872	\$ 2,026,421
\$	145,764	6,495	2,150,516	(121,491)
\$	168,546	\$ 88,402	\$ 1,091,061	\$ -
	(6,508)	(1,000)	(32,783)	(1,535)
	-	-	62,837	1,223
	-	-	24,813	-
	8,397	(425)	234,221	1,538
	(2,875)	(129)	1,743	(1,065)
	-	-	(24,813)	-
	(1,836)	-	1,613	(161)
	17,047	-	42,064	-
	-	-	(14,722)	-
	1,750	-	14,400	-
	34,969	-	132,014	-
	\$ 219,490	\$ 86,848	\$ 1,532,448	\$ -
	\$ 365,254	\$ 93,343	\$ 3,682,964	\$ (121,491)

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION RETIREMENT SYSTEM
PENSION TRUST FUND
DECEMBER 31, 2017**

Assets

Cash and pooled investments	\$	43,181
Accrued interest receivable		34
Prepaid benefits		894
		<hr/>
Total Assets	\$	44,109

Net Position

Amounts held in trust for pool participants	\$	44,109
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**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE RELIEF ASSOCIATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Additions</u>	
Contributions		\$ 9,613
Investment earnings		239
		<hr/>
Total Additions		\$ 9,852
	<u>Deductions</u>	
Benefit payments		\$ 10,416
Administrative expenses		1,200
		<hr/>
Total Additions		\$ 11,616
Change in net position		\$ (1,764)
Net Position--January 1		45,873
		<hr/>
Net Position--December 31		\$ 44,109
		<hr/> <hr/>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

I. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below

A. Financial Reporting Entity

The City of Thief River Falls was incorporated June 1, 1874, and was organized November 4, 1896, with the powers, duties, and privileges granted by state law, codified in Minnesota Statutes, Chapter 412. The City operates under a Mayor-Council form of government and provides services such as general government, public safety, highways and streets, sanitation, culture and recreation, economic development, a municipal liquor store, and the electric, storm water, wastewater, and water utilities, as authorized by its charter.

The City participates in a joint venture as described in Note IX.

The Thief River Falls Firemen's Relief Association is organized to provide pension and other benefits to its members in accordance with Minnesota Statutes. The City's portion of the cost of the Association's pension benefits is included in the General Fund. The Association does not have any significant operations or financial relationship with the City.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The City reports the following major enterprise funds:

The Liquor Enterprise Fund is used to account for the operations of the liquor store. Financing is provided through the liquor store's sale of on and off-sale liquor.

The Electric Enterprise Fund is used to account for and report the operations of the electrical service system. Financing is provided by charges to residents for services.

The Water Enterprise Fund is used to account for and report the operations of the water service system. Financing is provided by charges to residents for services.

The Wastewater Enterprise Fund is used to account for and report the operations of the sewer service system. Financing is provided by charges to residents for services.

Additionally, the City reports the Storm Water Enterprise Fund as a nonmajor fund.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The City also reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted for payment of principal and interest on debt.

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Internal Service Funds are used to account for services provided to other funds or departments on a cost-reimbursement basis.

Fiduciary Funds are custodial in nature and do not present the results of operations or have a measurement focus. The Pension Trust Fund accounts for the activities of the Police Relief Association, which accumulates resources for pension benefit payments to qualified public safety employees.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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. The City considers tax revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Investments

The City's investment policy is established and may be amended by its Board with a majority vote of its members. Investments are reported at fair value. The City categorizes the fair value measurements of its investments in accordance with generally accepted accounting principles, including GASB Statement 72. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement 72 establishes a fair value hierarchy. The hierarchy is based on valuation inputs, categorized at three levels, dependent on whether the inputs to those valuations are observable or unobservable in the marketplace.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis. Investment income is recognized as earned.

Asset Allocation – It is the policy of the City to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Concentration – The City's investment policy limits investments in any one issuer to not more than five percent unless the Finance Director has received prior approval, or the increase is a result of market price increase. U.S. Treasuries and agencies along with commingled investment pools are exempted. The City's investments as of December 31, 2017, were below these limits.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return on City investments, net of investment expense, was 1.40 percent.

E. Assets, Liabilities, Deferred Outflow/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the City's deposits is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of the funds are invested by the City Finance Director for the purpose of increasing earning through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017, based on market prices. Investment earnings are allocated to the funds with deposits. Pooled investment earnings were \$8,216. Total investment earnings for 2017 were \$133,232.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

3. Fiscal Agent

The City Council has authorized the Northwest Minnesota Multi-City Housing and Redevelopment Authority to administer the SCDB projects. The cash with fiscal agent held by the Northwest Minnesota Multi-City Housing and Redevelopment Authority on behalf of the City had a balance of \$82,822 as of December 31, 2017.

4. Receivables and Payables

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed by Pennington County in March with the first half payment due on May 15 and the second half due on October 15.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2000 through 2017, and deferred special assessments collectible in 2018 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectable amount.

Accounts receivable consist primarily of charges for services for electric, water, wastewater and stormwater utilities. Utility receivables are carried at invoice amount. The City uses a direct write-off method for uncollectible accounts receivable. These amounts do not have a material effect on the financial condition of the City. A utility receivable is considered to be past due if any portion of the receivable balance is outstanding after the 10th of the month and the customer will be charged a 10% late fee.

Revenues from electric and water sales are reflected in the accounts only at the time the meters are read. Accordingly, the revenues related to the electric and water service delivered, but not metered, are not accrued. The City reads meters throughout the month. Meters are read between the 21st of the previous month and 19th of the current month. Invoices are mailed on the 1st of the month and are due on the 10th.

Loans receivable consist of housing rehabilitation and business development loans. Loans receivable are reported as nonspendable fund balance for the amount outstanding as of year-end.

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 from/to 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."

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

5. Inventory

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

6. Capital Assets

Capital assets, which include land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

The City of Thief River Falls has elected to report infrastructure acquired prior to periods ending after June 30, 1980, for the governmental funds.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40-75
Buildings and improvements	25-50
Machinery and equipment	5-10

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees and volunteer firefighters participate.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports delinquent property tax receivables, property taxes levied for subsequent years, and loans receivable as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

8. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated sick leave and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund and the Liquor, Electric, Water, and Wastewater Enterprise Funds.

9. Long-Term Obligations

In the government-wide and proprietary fund types financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental, 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses in the period incurred.

In the fund financial statements, governmental fund types recognized 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. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

10. Pensions

For purposes of measuring the net pension asset, amounts were calculated as of the valuation date and rolled forward to the measurement date, using standard actuarial roll-forward techniques per GASB 67/68. Investments are reported at fair value.

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

For purposes of measuring the asset, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's requirement to contribute to the Thief River Falls Firemen's Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Thief River Falls Firemen's Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the governmental activities, the pension liability is liquidated by the General Fund. For the business type activities, the pension liability is liquidated by the Liquor, Electric, Water, and Wastewater Enterprise Funds.

11. Net Position and Fund Balance

In the government-wide and business-type fund financial statements, the City classifies net positions as follows:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Net Position and Fund Balance (Continued)

In the fund financial statements, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the Council shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Finance Director.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

The City will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted Fund Balance can be "spent down" if there is an anticipated budget short fall. If spending unrestricted fund balance to a point below the minimum targeted level the replenishment will be funded by taxes.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when unforeseen emergencies exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The City does not identify an amount for stabilization at December 31, 2017.

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. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

12. Use of Estimates

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 the reported amounts of assets, liabilities, and deferred outflows/inflows of resources, and disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

The following funds had deficit unassigned fund balances as of December 31, 2017: The 2016 Street and Utilities Capital Projects Fund of \$581,758, the 2018 Streets and Utilities Capital Projects Fund of \$47,687, and the 2018 Highway 1 Capital Projects Fund of \$8,983. These deficits will be eliminated with future collections.

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City's total deposits and investments to the basic financial statements, as of December 31, 2017, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 9,623,201
Cash with fiscal agent	82,822
Business-type Activities	
Cash and pooled investments	8,905,724
Fiduciary Activities	
Cash and pooled investments	43,181
Total Cash and Investments	\$ 18,654,928
Petty cash and change funds	\$ 11,480
Checking	678,334
Negotiable certificates of deposit	4,334,871
Money market funds	13,547,421
Cash with fiscal agent	82,822
Total deposits and cash on hand	\$ 18,654,928

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all City deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk is to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2017, the City's deposits were not exposed to custodial credit risk.

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the City:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, § 118A.04, subdivision 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow needed for operations.

At December 31, 2017, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Negotiable Certificates of Deposit	\$ 4,234,872	\$ 1,047,628	\$ 2,711,541	\$ 475,703
	100%	25%	64%	11%

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill the obligations to the holder of the investment. This is measured by the assignment of a rating from a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. The City's investments were not exposed to credit risk as of December 31, 2017.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 does not have a policy on custodial credit risk. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk. The City's investments were not exposed to custodial credit risk as of December 31, 2017

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds.

Investments in any one issuer that represent five percent or more of the City's portfolio are:

Issuer	Reported Amount	
Negotiable Certificates of Deposit	\$ 4,234,871	23%

Fair Value Hierarchy

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2017, the City's investment in negotiable certificates of deposit in the amount of \$4,234,871 were rated as a level 2 investment, valued using a market approach based on the securities' relationship to benchmark quoted prices.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, for the City's governmental and business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 117,070	\$ -
Special assessments	1,944,927	1,926,861
Accounts	152,853	-
Accrued interest	5,497	-
Loans	1,135,452	472,473
Due from other governments	83,249	-
Total Governmental Activities	\$ 3,439,048	\$ 2,399,334
Business-Type Activities		
Special assessments	\$ 99,379	\$ 98,049
Accounts	1,721,979	-
Accrued interest	7,089	-
Loans	1,453	-
Total Business-Type Activities	\$ 1,829,900	\$ 98,049

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 867,491	\$ -	\$ 71,100	\$ 796,391
Construction in progress	1,514,187	1,966,330	2,934,504	546,013
Total capital assets not depreciated	\$ 2,381,678	\$ 1,966,330	\$ 3,005,604	\$ 1,342,404
Capital assets being depreciated				
Infrastructure	\$ 25,972,616	\$ 4,387,262	\$ 3,043,403	\$ 27,316,475
Buildings	19,311,376	-	10,000	19,301,376
Machinery and equipment	5,178,699	346,733	7,000	5,518,432
Total capital assets being depreciated	\$ 50,462,691	\$ 4,733,995	\$ 3,060,403	\$ 52,136,283
Less: accumulated depreciation for				
Infrastructure	\$ 7,859,218	\$ 610,002	\$ -	\$ 8,469,220
Buildings	7,106,083	458,287	10,000	7,554,370
Machinery and equipment	3,760,070	265,429	7,000	4,018,499
Total accumulated depreciation	\$ 18,725,371	\$ 1,333,718	\$ 17,000	\$ 20,042,089
Total capital assets, depreciated, net	\$ 31,737,320	\$ 3,400,277	\$ 3,043,403	\$ 32,094,194
Governmental Activities Capital Assets, Net	\$ 34,118,998	\$ 5,366,607	\$ 6,049,007	\$ 33,436,598

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 425,232	\$ -	\$ 29,038	\$ 396,194
Construction in progress	1,586,447	3,723,281	868,370	4,441,358
Total capital assets not depreciated	\$ 2,011,679	\$ 3,723,281	\$ 897,408	\$ 4,837,552
Capital assets being depreciated				
Buildings	\$ 7,460,930	\$ -	\$ 507,748	\$ 6,953,182
Infrastructure	38,462,092	1,310,468	-	39,772,560
Machinery and equipment	5,097,234	151,291	97,044	5,151,481
Total capital assets being depreciated	\$ 51,020,256	\$ 1,461,759	\$ 604,792	\$ 51,877,223
Less: accumulated depreciation for				
Buildings	\$ 4,185,760	\$ 138,594	\$ 442,221	\$ 3,882,133
Infrastructure	23,259,136	814,312	-	24,073,448
Machinery and equipment	4,173,013	138,156	91,031	4,220,138
Total accumulated depreciation	\$ 31,617,909	\$ 1,091,062	\$ 533,252	\$ 32,175,719
Total capital assets, depreciated, net	\$ 19,402,347	\$ 370,697	\$ 71,540	\$ 19,701,504
Business-Type Activities Capital Assets, Net	\$ 21,414,026	\$ 4,093,978	\$ 968,948	\$ 24,539,056

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

Depreciation expense was charged to functions of the City as follows:

Governmental Activities			
General government	\$	648,719	
Public safety		85,724	
Highways and streets		110,648	
Sanitation		27,262	
Culture and recreation		461,365	
		<u>461,365</u>	
Total Depreciation Expense - Governmental Activities		\$	<u><u>1,333,718</u></u>
Business-Type Activities			
Liquor	\$	23,456	
Electric		400,353	
Water		410,306	
Wastewater		168,545	
Storm water		88,402	
		<u>88,402</u>	
Total Depreciation Expense - Business-Type Activities		\$	<u><u>1,091,062</u></u>

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of due to/from other funds as of December 31, 2017, is as follows:

Receivable Fund	Payable Fund	Amount	
Revolving Capital Outlay Capital Projects Fund	General Fund	\$ 285,488	Transfer
Water Enterprise Fund	2016 Street and Utilities Project Capital Projects Fund	742,430	Share of project expense
Water Enterprise Fund	2018 Street and Utilities Project Capital Projects Fund	37,469	Share of project expense
Water Enterprise Fund	Highway 1 Improvements Capital Projects Fund	7,843	Share of project expense
Revolving Loan Special Revenue Fund	General Fund	15,000	Received in wrong fund
2016 Street and Utilities Project Capital Projects Fund	Storm Water Enterprise Fund	<u>166,000</u>	Share of project expense
Total Due To/From Other Funds		<u><u>\$ 1,254,230</u></u>	

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following operating transfers:

To 2015 Improvement Bonds Debt Service Fund from 2015 Street & Utilities Project Capital Projects Fund	\$ 109,591	To close fund
To 2016 Streets and Water Capital Projects Fund from 2018 Highway 1 Improvements Capital Projects Fund	88,804	To close fund
To 2017 Street and Utility Capital Projects Fund from Storm Water Enterprise Fund	28,607	Share of project expense
To General Fund from Interdepartment Distribution Fund	100,530	Reimbursements
To General Fund from Revolving Capital Outlay Capital Projects Fund	94,250	Revolving capital outlay loan
To General Fund from Revolving Loan Special Revenue Fund	7,000	CDAB fee
To General Fund from Electric Enterprise Fund	591,000	Administration reimbursement
To General Fund from Liquor Enterprise Fund	419,079	Administration reimbursement
To General Fund from Water Enterprise Fund	34,250	Administration reimbursement
To General Fund from Waste Water Enterprise Fund	34,250	Administration reimbursement
To Interdepartment Distribution Fund from General Fund	51,440	MIS reimbursements
	165,797	Reimbursements
To Interdepartment Distribution Fund from Electric Enterprise Fund	31,680	MIS reimbursements
To Interdepartment Distribution Fund from Liquor Enterprise Fund	3,960	MIS reimbursements
To Interdepartment Distribution Fund from Water Enterprise Fund	3,960	MIS reimbursements
To Interdepartment Distribution Fund from Storm Water Enterprise Fund	4,000	MIS reimbursements
To Interdepartment Distribution Fund from Wastewater Enterprise Fund	3,960	MIS reimbursements
To Cemetery Special Revenue Fund from General Fund	50,000	Operating transfer
To Revolving Capital Outlay Fund from General Fund	1,503	Revolving capital outlay loan
To Revolving Capital Outlay Fund from General Fund	213,725	Revolving capital outlay transfer
To Storm Water Enterprise Fund from 2017 Street and Utility Capital Projects Fund	51,000	Share of project expense
To Water Enterprise Fund from 2017 Street and Utility Capital Projects Fund	<u>188,455</u>	Share of project expense
Total Interfund Transfers	<u>\$ 2,276,841</u>	

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

C. Liabilities

Construction Commitments

The City has six active construction projects in the amount of \$7,836,674 with a remaining commitment of \$4,950,135.

Long-Term Debt

Governmental Activities

City of Thief River Falls State-Aid Street Bonds of 2008 represent debt incurred for the construction of Greenwood Bridge. These bonds have an original issue amount of \$1,630,000. They carry a net interest rate of 3.785 percent and are due in annual principal payments from the 2008 State Aid Street Bonds Debt Service Fund of between \$170,000 and \$190,000 through April 1, 2018. The balance due on these bonds at December 31, 2017, is \$190,000.

City of Thief River Falls General Obligation Improvement Bonds of 2011 represent debt incurred for street improvements. These bonds have an original issue amount of \$690,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments from the 2011 Improvement Bonds Debt Service Fund of between \$55,000 and \$65,000 through February 1, 2024. The balance due on these bonds at December 31, 2017, is \$430,000.

City of Thief River Falls General Obligation Improvement Bonds of 2012 represent debt incurred for street improvements. These bonds have an original issue amount of \$795,000. They carry a net interest rate of 2.1 percent and are due in annual principal payments from the 2012 Improvement Bonds Debt Service Fund of between \$65,000 and \$80,000 through February 1, 2025. The balance due on these bonds at December 31, 2017, is \$570,000.

City of Thief River Falls General Obligation Improvement Bonds of 2013 represent debt incurred for street improvements. These bonds have an original issue amount of \$565,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments from the 2013 Improvement Bonds Debt Service Fund of between \$30,000 and \$45,000 through February 1, 2029. The balance due on these bonds at December 31, 2017, is \$470,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2013 represent debt incurred for Greenwood Street improvements. These bonds have an original issue amount of \$1,385,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments from the 2013 Greenwood Improvement Bonds Debt Service Fund of between \$75,000 and \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2017, is \$1,145,000.

City of Thief River Falls General Obligation Street Improvement Bonds of 2014 represent debt incurred for street improvements. These bonds have an original issue amount of \$685,000. They carry a net interest rate of 3 percent and are due in annual principal payments from the 2014 Improvement Bonds Debt Service Fund of between \$50,000 and \$65,000 through February 4, 2027. The balance due on these bonds at December 31, 2017, is \$580,000.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Governmental Activities (Continued)

City of Thief River Falls General Obligation Street Improvement Bonds of 2015 represent debt incurred for street improvements. These bonds have an original issue amount of \$795,000. They carry a net interest rate of 2.5 percent and are due in annual principal payments from the 2015 Improvement Bonds Debt Service Fund of between \$60,000 and \$75,000 through February 1, 2028. The balance due on these bonds at December 31, 2017, is \$735,000.

City of Thief River Falls General Obligation Bonds of 2016 represent debt incurred for a street, wastewater, and water project. The street project portion of these bonds have an original issue amount of \$1,000,000, carry a net interest rate of 1.659 percent and are due in annual payments from the 2016 Improvement Bonds Debt Service Fund of \$65,000 to \$95,000 through February 1, 2029. The balance due on these bonds at December 31, 2017 is \$1,000,000.

City of Thief River Falls General Obligation Bonds, Series 2017B represent debt incurred for a street and water project. The street project portion of these bonds have an original issue amount of \$1,295,000, carry a net interest rate of 2.335 percent and are due in annual payments from the 2017 Improvement Bonds Debt Service Fund of \$85,000 to \$130,000 through February 1, 2030. The balance due on these bonds at December 31, 2017 is \$1,295,000.

Business-Type Activities

City of Thief River Falls Minnesota Public Facilities Authority of 1998 represent debt incurred for construction of the Wastewater Treatment Facility. These bonds have an original issue amount of \$925,525. They carry a net interest rate of 2.8 percent and are due in annual principal payments from the Wastewater Enterprise Fund of between \$54,648 and \$59,298 through July 1, 2019. The balance due on these bonds at December 31, 2017, is \$117,060.

City of Thief River Falls General Obligation Water Revenue Bonds of 2009 represent debt incurred for water system improvements. These bonds have an original issue amount of \$640,000. They carry a net interest rate of 4.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$25,000 and \$45,000 through February 1, 2030. The balance due on these bonds at December 31, 2017, is \$465,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2010 represent debt incurred for water system improvements. These bonds have an original issue amount of \$3,510,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$300,000 and \$345,000 through January 1, 2023. The balance due on these bonds at December 31, 2017, is \$1,685,000.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

City of Thief River Falls General Obligation Water Revenue Bonds of 2011 represent debt incurred for water system improvements. These bonds have an original issue amount of \$210,000. They carry a net interest rate of 3.2 percent and are due in annual principal payments from the Water Enterprise Fund of \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2017, is \$150,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2012 represent debt incurred for water system improvements. These bonds have an original issue amount of \$470,000. They carry a net interest rate of 2.2 percent and are due in annual principal payments from the Water Enterprise Fund of between \$30,000 and \$35,000 through February 1, 2028. The balance due on these bonds at December 31, 2017, is \$350,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2013 represent debt incurred for water system improvements. These bonds have an original issue amount of \$1,235,000. They carry a net interest rate of 2.95 percent and are due in annual principal payments from the Water Enterprise Fund of between \$75,000 and \$85,000 through February 1, 2029. The balance due on these bonds at December 31, 2017, is \$1,020,000.

City of Thief River Falls General Obligation Sewer Improvement Bonds of 2014 represent debt incurred for wastewater system improvements. These bonds have an original issue amount of \$125,000. They carry a net interest rate of 3 percent and are due in annual principal payments from the Wastewater Enterprise Fund of between \$10,000 and \$15,000 through February 1, 2027. The balance due on these bonds at December 31, 2017, is \$105,000.

City of Thief River Falls General Obligation Equipment Certificates of 2014 represent debt incurred for utility system improvements. These bonds have an original issue amount of \$1,615,000, and are split between the water and electric funds. They carry a net interest rate of 2.250 percent and are due in annual principal payments from the Water and Electric Enterprise Funds of between \$62,000 and \$78,000 through February 1, 2024. The balance due on these bonds at December 31, 2017, is \$516,000 in water, and \$774,000 in electric, with the total balance due of \$1,290,000.

City of Thief River Falls General Obligation Water Revenue Bonds of 2015 represent debt incurred for water system improvements. These bonds have an original issue amount of \$610,000. They carry a net interest rate of 3 percent and are due in annual principal payments from the Water Enterprise Fund of between \$35,000 and \$45,000 through February 1, 2031. The balance due on these bonds at December 31, 2017, is \$575,000.

City of Thief River Falls General Obligation Bonds of 2016 represent debt incurred for a street, wastewater and water project. The wastewater and water project portion of these bonds have an original issue amount of \$680,000, carry a net interest rate of 1.659 percent, and are due in annual payments from the Wastewater and Water Enterprise Funds of \$12,950 to \$34,650 through February 1, 2032.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

The balance due on these bonds at December 31, 2017 is \$251,600 in wastewater and \$428,400 in water, with the total balance due of \$680,000.

City of Thief River Falls General Obligation Water Revenue Bonds, Series 2017A represent debt incurred for a water project. These bonds have an original issue amount of \$5,525,000, carry a net interest rate of 3.11 percent, and are due in annual payments from the Water Enterprise Fund of \$15,000 to \$365,000 through February 1, 2042. The balance due on these bonds at December 31, 2017 is \$5,525,000.

City of Thief River Falls General Obligation Bonds, Series 2017B represent debt incurred for a street and water project. The water portion of these bonds have an original issue amount of \$180,000, carry a net interest rate of 2.298 percent and are due in annual payments from the Water Enterprise Fund of \$15,000 through February 1, 2030. The balance due on these bonds at December 31, 2017 is \$180,000.

Debt Service Requirements

Debt service requirements for general obligation bonds for the year ended December 31, 2017, are as follows:

Year Ending December 31	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 610,000	\$ 151,940	\$ 807,762	\$ 372,757
2019	525,000	141,483	819,298	323,514
2020	545,000	130,933	805,000	304,388
2021	550,000	119,491	810,000	285,164
2022	560,000	106,759	820,000	264,455
2023-2027	2,690,000	313,657	2,755,000	1,035,359
2028-2032	935,000	32,770	2,120,000	656,893
2033-2037	-	-	1,485,000	405,052
2038-2042	-	-	1,720,000	148,085
Total	<u>\$6,415,000</u>	<u>\$ 997,033</u>	<u>\$ 12,142,060</u>	<u>\$3,795,667</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Changes in Long Term Liabilities

Governmental Activities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Improvement Bonds	\$ 5,285,000	\$ 1,295,000	\$ 355,000	\$ 6,225,000	\$ 420,000
G.O. State-Aid Street Bonds	370,000	-	180,000	190,000	190,000
Compensated Absences	654,360	366,091	197,510	822,941	666,134
OPEB	889,400	62,500	-	951,900	-
Net Pension Liability	8,474,502	-	4,550,557	3,923,945	-
Governmental Activities Long-Term Liabilities	<u>\$ 15,673,262</u>	<u>\$ 1,723,591</u>	<u>\$ 5,283,067</u>	<u>\$ 12,113,786</u>	<u>\$ 1,276,134</u>

Business-Type Activities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Revenue Bonds	\$ 6,995,000	\$ 5,705,000	\$ 675,000	\$ 12,025,000	\$ 750,000
MPFA Loans	173,244	-	56,184	117,060	57,762
Compensated Absences	394,261	159,427	117,363	436,325	345,465
OPEB	206,200	14,400	-	220,600	-
Net Pension Liability	2,814,353	-	742,311	2,072,042	-
Business-Type Activities Long-Term Liabilities	<u>\$ 10,583,058</u>	<u>\$ 5,878,827</u>	<u>\$ 1,590,858</u>	<u>\$ 14,871,027</u>	<u>\$ 1,153,227</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

IV. Other Post-Employment Benefits – (OPEB)

The City of Thief River Falls provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The City provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the City of Thief River Falls Council. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. As of the January 1, 2017 actuarial valuation, there were 113 participants in the plan including 27 retirees.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other post-employment 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 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 plan.

Annual Required Contribution	\$	151,160
Interest on net OPEB obligation		38,342
Adjustments to Annual Required Contribution		<u>(59,563)</u>
Annual OPEB cost (expense)	\$	129,939
Contributions made		<u>94,301</u>
Increase in net OPEB obligation	\$	35,638
Net OPEB Obligation - January 1, 2017	\$	<u>1,095,485</u>
Net OPEB Obligation - December 31, 2017	\$	<u><u>1,131,123</u></u>

The City’s annual OPEB cost for December 31, 2017 was \$129,939. The percentage of annual OPEB cost contributed to the plan was 72.6 percent, and the net OPEB obligation for 2017 was \$1,131,123. Currently, three years actuarial data is available. For trend information, refer to the Required Supplementary Information.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

IV. Other Post-Employment Benefits – (OPEB) (Continued)

Fund Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$1,172,516, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$1,172,516. The covered payroll (annual payroll of active employees covered by the plan) was \$6,085,590, and the ratio of the UAAL to the covered payroll was 19.3 percent.

Actuarial valuations for an ongoing plan involve 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 trends. 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.

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 3.50% a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment return on plan assets, and a base payroll growth rate of 2.75%. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges for 4.4% to 6.8% for healthcare related costs. The UAAL is being amortized as a level dollar of active member payroll over a period of 30 years on an open period.

V. Defined Benefit Pension Plans

A. Plan Description

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

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

A. Plan Description (Continued)

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City of Thief River Falls are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

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

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

A. Plan Description

1. General Employees Plan Benefits (Continued)

For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

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

B. Contributions

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

1. General Employees Retirement Plan Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City of Thief River Falls was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City of Thief River Falls's contributions to the General Employees Fund for the year ended December 31, 2017 were \$303,304. The City of Thief River Falls's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City of Thief River Falls was required to contribute 16.20 percent of pay for members in calendar year 2017. The City of Thief River Falls's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$252,438. The City of Thief River Falls's contributions were equal to the required contributions as set by state statute.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

C. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the City of Thief River Falls reported a liability of \$3,970,807 for its proportionate share of the General Employees Fund's net pension liability. The City of Thief River Falls's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Thief River Falls totaled \$49,943. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The City of Thief River Falls's proportion share was .0622 percent which was a decrease of .0022 percent from its proportion measured as of June 30, 2016.

There were no provision changes during the measurement period.

For the year ended December 31, 2017, the City of Thief River Falls recognized pension expense of \$118,217 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Thief River Falls recognized an additional \$1,442 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City of Thief River Falls reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 130,866	\$ 265,271
Changes in actuarial assumptions	682,557	398,074
Difference between projected and actual investment earnings	726,821	674,213
Changes in proportion	-	208,966
Contributions paid to PERA subsequent to the measurement date	<u>152,413</u>	<u>-</u>
Total	<u>\$ 1,692,657</u>	<u>\$ 1,546,524</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

C. Pension Costs

1. General Employees Fund Pension Costs (Continued)

\$152,413 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2018	\$ 83,562
2019	192,113
2020	(113,401)
2021	(168,554)
2022	-

2. Police and Fire Fund Pension Costs

At December 31, 2017, The City of Thief River Falls reported a liability of \$2,025,179 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Thief River Falls's proportion of the net pension liability was based on the City of Thief River Falls's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2017, the City of Thief River Falls's proportion was .00150 percent which is a .0010 percent decrease from its proportion measured as of June 30, 2016. The City of Thief River Falls also recognized \$13,500 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

There were no provision changes during the measurement period.

For the year ended December 31, 2017, the City of Thief River Falls recognized pension expense of (\$267,023) for its proportionate share of the Police and Fire Plan's pension expense.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

C. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

As of December 31, 2017, the City of Thief River Falls reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 46,616	\$ 545,017
Changes in actuarial assumptions	2,668,019	2,875,251
Difference between projected and actual investment earnings	674,903	642,620
Changes in proportion	5,400	33,443
Contributions paid to PERA subsequent to the measurement date	<u>124,922</u>	<u>-</u>
Total	<u>\$ 3,519,860</u>	<u>\$ 4,096,331</u>

\$124,922 reported as deferred outflows of resources related to pensions resulting from the City of Thief River Falls's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ 35,446
2019	35,045
2020	(39,285)
2021	(160,585)
2022	(572,414)

D. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males and females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years for the General Employees Plan through 2044 and Police and fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2017. The most recent five-year experience study for Police and Fire Plan was completed in 2017.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

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

Police and Fire Fund

1. Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
2. Assumed rates of retirement were changed, resulting in fewer retirements.
3. The Combined Service Annuity (CSA) load was 30 percent vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
4. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

5. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
6. Assumed percentage of married female members was decreased from 65 percent to 60 percent.
7. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
8. The assumed percentage of female members electing Joint and Survivor annuities was increased.
9. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.5 percent thereafter.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%,. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

F. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at Current Single Discount Rate
General Employees Fund

City of Thief River Falls	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Proportionate share of Net Pension Liability	\$ 6,159,017	\$ 3,970,807	\$ 2,179,360

Sensitivity of Net Pension Liability at Current Single Discount Rate
Police and Fire Fund

City of Thief River Falls	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of Net Pension Liability	\$ 3,814,002	\$ 2,025,179	\$ 548,406

G. Pension Plan Fiduciary Net Position

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

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Three employees of the City of Thief River Falls are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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 plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City of Thief River Falls during fiscal year 2017 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 990	\$ 990	5%	5%	5%

VII. Defined Benefit Pension Plan – Firemen's Relief Association

A. Plan Description

Firefighters of the City of Thief River Falls are members of the Thief River Falls Firemen's Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2017, membership includes 24 active participants and 1 deferred members entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

B. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$3,000 for each year active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

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

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum of \$3,000 for each year the member was an active member of the Thief River Falls Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VII. Defined Benefit Pension Plan – Firemen’s Relief Association

B. Benefits Provided (Continued)

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

C. Contributions

Minnesota Statutes § 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing an existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

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

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$73,872 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2017. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2017, there was no statutorily-required City contributions to the plan.

D. Pension Costs

At December 31, 2017, the City reported an asset of \$295,573 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VII. Defined Benefit Pension Plan – Firemen’s Relief Association

D. Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$0 for the year ended December 31, 2017. As December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 10,343
Changes in assumptions	-	8,983
Net difference between projected and actual investment earnings	5,606	-
Total	<u>\$ 5,606</u>	<u>\$ 19,326</u>

Other amounts reported as deferred outflows and inflows of resources related to the Association’s pension will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 3,590
2019	3,588
2020	(5,108)
2021	(7,552)
2022	(2,772)
Thereafter	(5,466)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2017
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount Rate	4.75%
Expected return on plan assets	4.75%
Inflation rate	2.75%

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience with forward-looking expectations available in market data.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VII. Defined Benefit Pension Plan – Firemen’s Relief Association

E. Actuarial Assumptions (Continued)

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan’s asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Allocation at December 31, 2017	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic equity	21.08%	5.39%	8.14%
International equity	6.28%	5.20%	7.95%
Fixed income	58.59%	1.98%	4.73%
Real estate and alternatives	80.00%	4.25%	7.00%
Cash and equivalents	13.25%	0.79%	3.54%
 Total	 100.00%		 5.83%
Reduced for assumed investment expense			-1.00%
Net assumed invest return (weighted avg, rounded to 1/4%)			4.75%

F. Discount Rate

The discount rate used to measure the total pension liability was 4.75 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Asset Sensitivity

The following presents the City’s proportionate share of the net pension asset of the Association, calculated using the discount rate of 4.75 percent, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.75 percent) or one percentage point higher (5.75 percent) than the current rate:

	1% Decrease (3.75%)	Discount Rate (4.75%)	1% Increase (5.75%)
Total Pension Liability	\$ 821,516	\$ 800,674	\$ 780,080
Plan Fiduciary Net Position	1,096,247	1,096,247	1,096,247
Net Pension Liability (Asset)	\$ (274,731)	\$ (295,573)	\$ (316,167)

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VII. Defined Benefit Pension Plan – Firemen’s Relief Association (Continued)

H. Plan’s Fiduciary Net Position

Information about the Plan’s fiduciary net position is as follows:

	Measurement Period Ending and Fiscal Year Ending	
	12/31/2017	12/31/2016
Assets		
Cash and deposits	\$ 4,436	\$ 76,105
Money market funds and interest-bearing cash	136,538	109,973
Total cash	<u>\$ 140,974</u>	<u>\$ 186,078</u>
Cash position of mutual funds	<u>\$ 3,835</u>	<u>\$ -</u>
Receivables		
Contributions	\$ 3,000	\$ -
Due from broker for investments sold	-	-
Investment income	-	-
Other	-	-
Total receivables	<u>\$ 3,000</u>	<u>\$ -</u>
Investments		
Domestic equity	\$ 230,499	\$ 202,465
International equity	68,638	53,517
Fixed income	640,597	573,230
Real estate and alternatives	8,704	-
Total investments	<u>\$ 948,438</u>	<u>\$ 829,212</u>
Total assets	<u>\$ 1,096,247</u>	<u>\$ 1,015,290</u>
Short term liabilities		
Payables		
Investment management fees	\$ -	\$ -
Due to broker for investments purchased	-	-
Other	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net position restricted for pensions	<u>\$ 1,096,247</u>	<u>\$ 1,015,290</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VII. Defined Benefit Pension Plan – Firemen’s Relief Association

H. Plan’s Fiduciary Net Position (Continued)

Information about the changes in the Plan’s net pension asset is as follows:

	Measurement Period Ending and Fiscal Year Ending	
	12/31/2017	12/31/2016
Additions		
Contributions		
State aid	\$ 73,872	\$ 68,096
City Contributions	-	-
Outside donations and other income	-	-
Member contributions	-	-
Total contributions	<u>\$ 73,872</u>	<u>\$ 68,096</u>
Investment income		
Net appreciation in fair value of investments	\$ 52,293	\$ 13,142
Interest and dividends	28,275	24,039
Less investment expense	(9,833)	(9,606)
Net investment income	<u>\$ 70,735</u>	<u>\$ 27,575</u>
Total additions	<u>\$ 144,607</u>	<u>\$ 95,671</u>
Deductions		
Benefit payments		
Annuity payments to retirees and beneficiaries	\$ -	\$ -
Lump sums	(61,100)	(83,750)
Refunds	-	-
Total	<u>\$ (61,100)</u>	<u>\$ (83,750)</u>
Administrative expense	<u>(2,550)</u>	<u>(1,400)</u>
Total deductions	<u>\$ (63,650)</u>	<u>\$ (85,150)</u>
Net increase in net pension	\$ 80,957	\$ 10,521
Net position restricted for pensions		
Beginning of year	<u>\$ 1,015,290</u>	<u>\$ 1,004,769</u>
End of year	<u>\$ 1,096,247</u>	<u>\$ 1,015,290</u>
Investment return for the measurement year		
a. Net investment income	\$ 70,735	\$ 27,575
b. Beginning balance	1,015,290	1,004,769
c. Time-weighted cash flows	(29,203)	(68,337)
d. Investment return: a. / (b. + c.)	7.17%	2.94%

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

VII. City of Thief River Falls Police Relief Association

A. Plan Description

On March 28, 1978, Minnesota H.F. No. 2330 was signed into law and stated that effective January 1, 1979; all active police officers employed by the City of Thief River Falls shall cease to be members of the Police Relief Association. These employees were transferred to the Minnesota Public Police and Fire Fund established pursuant to Minnesota Statutes, Section 353.63 to 353.68. The law also established a pension trust fund to be maintained by the City of Thief River Falls for the exclusive benefit of the retired and disabled members of the Thief River Falls Police Relief Association who were receiving benefits on January 1, 1979. This is a closed pension benefit fund that currently provides benefits to one surviving spouse.

The City of Thief River Falls Annual Financial Report includes detailed financial statements for the Police Relief Association.

B. Funding Policy

The City will provide by special tax levy and other revenues an amount sufficient to pay the aggregate cost of service pensions, disability benefits, and survivor benefits for the remaining members of the fund. The City is required by state statute to have an actuarial valuation and experience study of the City's Police Relief Association at least once every five years to determine the City's minimum obligation. The last actuarial valuation was completed as of December 31, 2016, by Van Iwaarden Associates. The City's tax levies to the Police Relief Association for the years ending December 31, 2016 - 2013, were \$9,613 per year.

VIII. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; employee health coverage; or natural disasters. The City has entered into a joint powers agreement with other Minnesota cities to form the League of Minnesota Cities Insurance Trust (LMCIT) to cover workers' compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

IX. Joint Ventures

A. Multi-Events Center

A Joint Powers Board was formed in the fall of 1995 for the purpose of coordinating the funding, design, and development of a Multi-Events Center. The current members of the Joint Powers Board are the City of Thief River Falls, School District No. 564, and Northland Community and Technical College.

The Multi-Events Center is a complex of facilities located on an 80 acre site east and north of Northland Community & Technical College which, when fully developed, will serve Northwestern Minnesota as a regional center for athletic events. The master plan for the complex, which contemplates the facilities being developed in a four phase process over a number of years, could eventually consist of an aquatic center, events center, and field house.

Phase I consisting of site improvements, a football stadium and track, a locker room – restroom – ticket sales building, track and field events areas, a baseball – softball complex, parking, and other related amenities has been completed. Phase II – IV will be designated and constructed only when private sources of funding become available. The City of Thief River Falls serves as the fiscal agent for the Joint Powers Board and the Multi-Events Center Fund is a part of these financial statements.

B. Northwest Regional Library

The Northwest Regional Library was formed pursuant to Minnesota Statutes, §§134.20 and 471.59, effective January 1, 1981, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the Library is vested in the Northwest Regional Library Board which is composed of 16 members with staggered terms made up of the following; one member appointed by each board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating City; and one additional member appointed by each County and City for each 6,000 of population or major percentage (85 percent) thereof. Complete financial information can be obtained from Northwest Regional Library, 210 Labree Avenue North, Thief River Falls, MN 56701. The City of Thief River Falls appropriated \$165,738 to the Northwest Regional Library for the year ended December 31, 2017

X. Jointly-Governed Organizations

The Thief River Falls Airport Authority was formed pursuant to Minnesota Statutes §360.0425 to §360.0427, effective June 15, 2010. The Airport Authority was created for the purposes of acquiring, establishing, constructing, maintaining, improving, and operating the Airport. The Airport Authority shall consist of five Commissioners as follows: two commissioners to be appointed by City Council, both of whom shall be members of the City Council; two Commissioners to be appointed by the County Board, both of whom shall be members of the County Board; and one lay commissioner who is a resident of either the City or the County shall be mutually appointed by the City Council and the County Board. The commissioners shall each be appointed for three-year terms, and shall serve until their successors are appointed and qualified. Terms shall be staggered so that the terms of approximately one-third of the Commissioners expire each calendar year. Complete financial statements of the Airport Authority can be obtained from its administrative office at 13722 Airport Drive, Thief River Falls, Minnesota, 56701.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

XI. Conduit Debt (No Commitment Debt)

From time to time the City of Thief River Falls has issued private activity bonds to provide financial assistance for the acquisition and construction of 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. The City is not obligated in any manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2017, there were two issues outstanding with an aggregate remaining principal balance of \$5,062,245.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,001,189	\$ 2,001,189	\$ 1,950,623	\$ (50,566)
Special assessments	19,250	19,250	22,630	3,380
Licenses and permits	158,835	158,835	120,308	(38,527)
Intergovernmental	3,370,956	3,370,956	3,515,598	144,642
Charges for services	2,309,459	2,309,459	2,354,411	44,952
Fines and forfeitures	50,000	50,000	67,410	17,410
Investment earnings	8,700	8,700	7,840	(860)
Gifts and contributions	-	-	17,396	17,396
Miscellaneous	31,000	31,000	155,158	124,158
Total Revenues	\$ 7,949,389	\$ 7,949,389	\$ 8,211,374	\$ 261,985
Expenditures				
Current				
General government				
Mayor/council	\$ 102,560	\$ 102,560	\$ 96,803	\$ 5,757
Administration	564,585	564,585	562,223	2,362
Professional services	18,840	18,840	16,305	2,535
Assessor	37,500	37,500	37,520	(20)
Legal	92,580	92,580	85,018	7,562
Buildings and grounds	137,600	137,600	136,952	648
Insurance	230,000	230,000	234,235	(4,235)
MIS/GIS	51,440	51,440	1,244	50,196
Other general government	38,621	38,621	162,031	(123,410)
Total general government	\$ 1,273,726	\$ 1,273,726	\$ 1,332,331	\$ (58,605)
Public safety				
Police	\$ 2,051,969	\$ 2,051,969	\$ 2,060,401	\$ (8,432)
Fire	776,965	776,965	816,656	(39,691)
Fire relief association	63,500	63,500	72,872	(9,372)
Emergency management	4,000	4,000	3,072	928
Building official	136,821	136,821	159,111	(22,290)
Total public safety	\$ 3,033,255	\$ 3,033,255	\$ 3,112,112	\$ (78,857)
Highways and streets				
Street department	\$ 909,196	\$ 796,531	\$ 682,377	\$ 114,154
Street lighting	162,852	162,852	174,919	(12,067)
Total highways and streets	\$ 1,072,048	\$ 959,383	\$ 857,296	\$ 102,087

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Sanitation				
Sanitation	\$ 852,750	\$ 852,750	\$ 852,130	\$ 620
Culture and recreation				
Arena	\$ 1,187,847	\$ 1,187,847	\$ 1,074,171	\$ 113,676
Parks	494,421	607,086	704,329	(97,243)
Library	206,177	206,177	196,272	9,905
Senior citizen program	29,210	29,210	30,366	(1,156)
Total culture and recreation	\$ 1,917,655	\$ 2,030,320	\$ 2,005,138	\$ 25,182
Economic development				
Community services	\$ 292,342	\$ 292,342	\$ 303,969	\$ (11,627)
Other economic development	120,000	120,000	110,728	9,272
Total economic development	\$ 412,342	\$ 412,342	\$ 414,697	\$ (2,355)
Total current	\$ 8,561,776	\$ 8,561,776	\$ 8,573,704	\$ (11,928)
Capital outlay				
Public safety	\$ 40,000	\$ 40,000	\$ 198,713	\$ (158,713)
Highways and streets	-	-	52,900	(52,900)
Culture and recreation	-	-	303,795	(303,795)
Total capital outlay	\$ 40,000	\$ 40,000	\$ 555,408	\$ (515,408)
Total Expenditures	\$ 8,601,776	\$ 8,601,776	\$ 9,129,112	\$ (527,336)
Excess of Revenues Over (Under)				
Expenditures	\$ (652,387)	\$ (652,387)	\$ (917,738)	\$ (265,351)
Other Financing Sources (Uses)				
Transfers in	\$ 1,078,579	\$ 1,078,579	\$ 1,280,359	\$ 201,780
Transfers out	(352,397)	(352,397)	(482,465)	(130,068)
Total Other Financing Sources (Uses)	\$ 726,182	\$ 726,182	\$ 797,894	\$ 71,712
Net Change in Fund Balance	\$ 73,795	\$ 73,795	\$ (119,844)	\$ (193,639)
Fund Balance - January 1	2,319,495	2,319,495	2,319,495	-
Fund Balance - December 31	\$ 2,393,290	\$ 2,393,290	\$ 2,199,651	\$ (193,639)

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 2

**SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2017	\$ -	\$ 1,172,516	\$ 1,172,516	\$ -	\$ 6,085,590	19.3%
January 1, 2014	\$ -	\$ 1,066,449	\$ 1,066,449	\$ -	\$ 5,641,825	18.9%
January 1, 2011	\$ -	\$ 1,473,348	\$ 1,473,348	\$ -	\$ 4,687,712	31.4%
January 1, 2008	\$ -	\$ 4,945,515	\$ 4,945,515	\$ -	\$ 4,426,074	111.7%

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 3

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	\$ 129,939	\$ 94,301	73%	\$ 1,131,123
December 31, 2016	\$ 95,786	\$ 66,132	69%	\$ 1,095,485
December 31, 2015	\$ 95,170	\$ 76,571	80%	\$ 1,065,831
December 31, 2014	\$ 94,442	\$ 73,942	78%	\$ 1,047,232
December 31, 2013	\$ 137,865	\$ 134,165	97%	\$ 1,026,700

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2017**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	\$ 303,304	\$ 303,304	\$ -	\$ 4,045,172	7.5%
December 31, 2016	\$ 299,641	\$ 299,641	\$ -	\$ 3,995,210	7.5%
December 31, 2015	\$ 298,516	\$ 298,516	\$ -	\$ 3,990,024	7.5%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	\$ 252,438	\$ 252,438	\$ -	\$ 1,558,257	16.2%
December 31, 2016	\$ 241,811	\$ 241,811	\$ -	\$ 1,492,663	16.2%
December 31, 2015	\$ 229,565	\$ 229,565	\$ -	\$ 1,417,067	16.2%

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.0622%	\$ 3,970,807	\$ 49,943	\$ 4,020,750	\$ 4,028,040	98.58%	75.90%
June 30, 2016	0.0644%	\$ 5,228,961	\$ 68,249	\$ 5,297,210	\$ 3,993,749	130.93%	68.90%
June 30, 2015	0.0653%	\$ 3,384,185	\$ -	\$ 3,384,185	\$ 3,870,518	87.43%	78.20%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.1500%	\$ 2,025,179	\$ 13,500	\$ 2,038,679	\$ 1,543,569	131.20%	85.40%
June 30, 2016	0.1510%	\$ 6,059,893	\$ -	\$ 6,059,893	\$ 1,452,447	417.22%	63.90%
June 30, 2015	0.1510%	\$ 1,715,713	\$ -	\$ 1,715,713	\$ 1,383,239	124.04%	86.60%

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 6

**VOLUNTEER FIREFIGHTER RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2015	\$ -	\$ -	\$ -	N/A	N/A

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	100%	\$ (295,573)	N/A	N/A	136.92%
June 30, 2016	100%	\$ (223,686)	N/A	N/A	128.26%
June 30, 2015	100%	\$ (202,487)	N/A	N/A	125.24%

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

In September of each year, the City Council drafts a preliminary budget after giving interested citizens a reasonable opportunity to be heard. The final budget is approved in December and a certified levy is sent to Pennington County. Truth in taxation requires that a final levy may not exceed a preliminary levy.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

II. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2017:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Assessor	\$ 37,520	\$ 37,500	\$ (20)
Insurance	234,235	230,000	(4,235)
Other general government	162,031	38,621	(123,410)
Public safety			
Police	2,060,401	2,051,969	(8,432)
Fire	816,656	776,965	(39,691)
Fire relief association	72,872	63,500	(9,372)
Building official	159,111	136,821	(22,290)
Highways and streets			
Street lighting	174,919	162,852	(12,067)
Culture and recreation			
Parks	704,329	607,086	(97,243)
Senior citizen program	30,366	29,210	(1,156)
Economic development			
Community services	303,969	292,342	(11,627)
Capital outlay			
Public safety	198,713	40,000	(158,713)
Highways and streets	52,900	-	(52,900)
Culture and recreation	303,795	-	(303,795)

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Net Pension Liability

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the City Council.

A. General Employees Fund

1. 2017 Changes in Actuarial Assumptions

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

2. 2016 Changes in Actuarial Assumptions

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

3. 2015 Changes in Actuarial Assumptions

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

4. 2015 Changes in Plan Provisions

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

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Net Pension Liability (Continued)

B. Police and Fire Fund

1. 2017 Changes in Actuarial Assumptions

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

2. 2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate changed from 7.9 percent to 5.6 percent.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

III. Net Pension Liability

C. Police and Fire Fund

3. 2016 Changes in Actuarial Assumptions (Continued)

- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

4. 2015 Changes in Actuarial Assumptions

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

5. 2015 Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The TIF District 1-1 Special Revenue Fund is used to account for and report the financial activities of the Knox Property. Financing is provided by tax increment assigned to economic development.

The TIF District 1-3 Special Revenue Fund is used to account for and report the financial activities of the Sherwood Park Townhomes. Financing is provided by tax increment assigned to economic development.

The TIF District 1-4 Special Revenue Fund is used to account for and report the financial activities of Oakland Park. Financing is provided by tax increment assigned to economic development.

The TIF District 1-5 Special Revenue Fund is used to account for and report the financial activities of Wendt Drive. Financing is provided by tax increment assigned to economic development.

The TIF District 1-6 Special Revenue Fund is used to account for and report the financial activities of Sunrise Court. Financing is provided by tax increment assigned to economic development.

The TIF District 1-7 Special Revenue Fund is used to account for and report the financial activities of the Elementary Addition. Financing is provided by tax increment assigned to economic development.

The TIF District 1-8 Special Revenue Fund is used to account for and report the financial activities of Wheatland Estates. Financing is provided by tax increment assigned to economic development.

The TIF District 1-9 Special Revenue Fund is used to account for and report the financial activities of Riverfalls Estates. Financing is provided by tax increment assigned to economic development.

The TIF District 1-10 Special Revenue Fund is used to account for and report the financial activities of the Rocksbury Apartments. Financing is provided by tax increment assigned to economic development.

The TIF District 1-11 Special Revenue Fund is used to account for and report the financial activities of the River Pointe Townhomes. Financing is provided by tax increment assigned to economic development.

The Greenwood Cemetery Special Revenue Fund is used to account and report financial transactions of the cemetery. Financing is provided by the sale of cemetery plots and charges for services restricted for perpetual care.

The CDAB Revolving Loan Special Revenue Fund is used to account and report financial transactions of the community development revolving loan program. Financing is provided by CDAP grants, slow second mortgage repayments, and SCDBG loans.

The Train Canopy Special Revenue Fund is used to account for and report the financial activities of the train canopy project. Financing is provided by donations and appropriations.

The TRF Area K-9 Special Revenue Fund is used to account for and report the financial activities of the Thief River Falls area canine unit. Financing is provided by donations and appropriations.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

The 2008 State Aid Street Bonds Debt Service Fund is used to account for and report debt associated with General Obligation State-Aid Street Bonds of 2008 issued for street improvements. Financing is provided by annual allotments of highway users tax from the Minnesota Department of Transportation.

The 2011 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2011, issued for street and utility improvements. Financing is provided by special assessments restricted for debt service.

The 2012 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2012, issued for street improvements. Financing is provided by special assessments restricted for debt service.

The 2013 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2013, issued for street improvements. Financing is provided by special assessments restricted for debt service.

The 2013 Greenwood Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2013, issued for the construction of the Greenwood street underpass. Financing is provided by a general levy and special assessments restricted for debt service.

The 2014 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2014, issued for street improvements. Financing is provided by special assessments restricted for debt service.

The 2015 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2015, issued for street improvements. Financing is provided by special assessments restricted for debt service.

The 2016 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2016, issued for street improvements. Financing is provided by special assessments restricted for debt service.

The 2017 Improvement Bonds Debt Service Fund is used to account for and report debt associated with the General Obligation Improvement Bonds of 2017, issued for street improvements. Financing is provided by special assessments restricted for debt service.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

The Revolving Capital Outlay Capital Projects Fund is used to account for and report capital purchases. Financing is provided by transfers from other funds and special assessments.

The Swimming Pool Capital Projects Fund is used to account for and report the funds raised for the construction of a city swimming pool. Financing is provided by donations and investment earnings.

The Splash Park Capital Projects Fund is used to account for and report the funds raised for the construction of a city splash park. Financing is provided by donations and investment earnings.

The Multi-Events Center Capital Projects Fund is used to account for and report the financial resources of the Multi-Events Center. Financing is provided by annual appropriations from the City of Thief River Falls, Northland Community and Technical College, and Independent School District 564.

The 2015 Street and Utilities Capital Projects Fund is used to account for and report the financial resources of the 2015 street and utilities improvement projects. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments.

The 2016 Street and Utilities Capital Projects Fund is used to account for and report the financial resources of the Greenwood Street realignment project. Financing is provided by General Obligation bonds in 2016.

The 2017 Street and Utilities Capital Projects Fund is used to account for and report the financial resources of the 2017 improvement project. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments.

The 2018 Street and Utilities Capital Projects Fund is used to account for and report the financial resources of the 2018 street and utilities improvement projects. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments.

The 2018 Maintenance Facility Capital Projects Fund is used to account for and report the financial resources for the maintenance facility. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments.

The 2018 Highway 1 Improvements Capital Projects Fund is used to account for and report the financial resources of the 2018 highway improvement project. Financing is provided by intergovernmental revenues, the issuance of debt, and special assessments.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue Funds (Statement 3)	Debt Service Funds (Statement 5)	Capital Projects Funds (Statement 7)	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 1,884,666	\$ 1,578,936	\$ 2,586,014	\$ 6,049,616
Cash with fiscal agent	82,822	-	-	82,822
Taxes receivable				
Current	1,372	5,767	-	7,139
Prior	-	9,446	-	9,446
Special assessments receivable				
Current	-	7,059	-	7,059
Prior	-	10,610	256	10,866
Accounts receivable	-	-	1,000	1,000
Interest receivable	1,872	-	1,572	3,444
Due from other funds	15,000	-	451,488	466,488
Due from other governments	-	-	68,010	68,010
Loans receivable	586,404	-	63,684	650,088
Special assessments receivable - noncurrent	-	1,882,106	21,439	1,903,545
Total Assets	<u>\$ 2,572,136</u>	<u>\$ 3,493,924</u>	<u>\$ 3,193,463</u>	<u>\$ 9,259,523</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 1,826	\$ -	\$ 93,224	\$ 95,050
Salaries payable	511	-	-	511
Due to other governments	74	-	-	74
Due to other funds	-	-	787,742	787,742
Total Liabilities	<u>\$ 2,411</u>	<u>\$ -</u>	<u>\$ 880,966</u>	<u>\$ 883,377</u>
Deferred Inflows of Resources				
Taxes	\$ -	\$ 9,446	\$ -	\$ 9,446
Special assessments	-	1,892,717	21,694	1,914,411
Loans	-	-	63,684	63,684
City State Aid Highway Allotment	-	-	57,789	57,789
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 1,902,163</u>	<u>\$ 143,167</u>	<u>\$ 2,045,330</u>
Fund Balances				
Nonspendable for loans receivable	\$ 651,561	\$ -	\$ -	\$ 651,561
Restricted for				
Debt service	-	1,591,761	-	1,591,761
Economic development	1,430,482	-	-	1,430,482
TIF district	93,536	-	-	93,536
Committed to				
K-9 Unit	13,995	-	-	13,995
Perpetual care	171,513	-	-	171,513
Train canopy	34,987	-	-	34,987
Splash park	-	-	2,286	2,286
Swimming pool	-	-	243,139	243,139
Assigned to				
General government	173,651	-	-	173,651
Capital projects	-	-	2,562,333	2,562,333
Unassigned	-	-	(638,428)	(638,428)
Total Fund Balances	<u>\$ 2,569,725</u>	<u>\$ 1,591,761</u>	<u>\$ 2,169,330</u>	<u>\$ 6,330,816</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,572,136</u>	<u>\$ 3,493,924</u>	<u>\$ 3,193,463</u>	<u>\$ 9,259,523</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds (Statement 4)	Debt Service Funds (Statement 6)	Capital Projects Funds (Statement 8)	Total NonMajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 330,789	\$ 323,005	\$ -	\$ 653,794
Special assessments	-	286,701	23,420	310,121
Charges for services	32,300	-	-	32,300
Intergovernmental	123,143	190,737	98,804	412,684
Investment earnings	13,733	-	11,484	25,217
Gifts and contributions	37,558	-	2,352	39,910
Miscellaneous	138,853	-	179,072	317,925
Total Revenues	\$ 676,376	\$ 800,443	\$ 315,132	\$ 1,791,951
Expenditures				
Current				
General government	\$ 337,810	\$ -	\$ -	\$ 337,810
Public safety	10,494	-	-	10,494
Culture and recreation	-	-	10,117	10,117
Economic development	137,382	-	-	137,382
Total current	\$ 485,686	\$ -	\$ 10,117	\$ 495,803
Debt service				
Principal retirement	\$ -	\$ 535,000	\$ -	\$ 535,000
Interest	-	125,220	-	125,220
Total debt service	\$ -	\$ 660,220	\$ -	\$ 660,220
Capital outlay				
Highways and streets	\$ -	\$ -	\$ 1,429,625	\$ 1,429,625
Culture and recreation	-	-	489,243	489,243
Total capital outlay	\$ -	\$ -	\$ 1,918,868	\$ 1,918,868
Total Expenditures	\$ 485,686	\$ 660,220	\$ 1,928,985	\$ 3,074,891
Excess of Revenues Over (Under) Expenditures	\$ 190,690	\$ 140,223	\$ (1,613,853)	\$ (1,282,940)
Other Financing Sources (Uses)				
Transfers in	\$ 50,000	\$ 109,591	\$ 332,639	\$ 492,230
Transfers out	(7,000)	-	(532,100)	(539,100)
Proceeds from issuance of debt	-	-	1,369,317	1,369,317
Proceeds from sale of asset	-	-	1,368,062	1,368,062
Total Other Financing Sources (Uses)	\$ 43,000	\$ 109,591	\$ 2,537,918	\$ 2,690,509
Net Change in Fund Balance	\$ 233,690	\$ 249,814	\$ 924,065	\$ 1,407,569
Fund Balance - January 1, as restated	2,336,035	1,341,947	1,245,265	4,923,247
Fund Balance - December 31	\$ 2,569,725	\$ 1,591,761	\$ 2,169,330	\$ 6,330,816

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7
Assets						
Cash and pooled investments	\$ 11,052	\$ 18,229	\$ 25,993	\$ 23,664	\$ 7,034	\$ 5,814
Cash with fiscal agent	-	-	-	-	-	-
Taxes receivable						
Current	-	-	-	1,372	-	-
Interest receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Total Assets	<u>\$ 11,052</u>	<u>\$ 18,229</u>	<u>\$ 25,993</u>	<u>\$ 25,036</u>	<u>\$ 7,034</u>	<u>\$ 5,814</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances						
Nonspendable for loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for						
Economic development	-	-	-	-	-	-
TIF district	11,052	18,229	25,993	25,036	7,034	5,814
Committed to						
K-9 Unit	-	-	-	-	-	-
Train canopy	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Assigned to						
General government	-	-	-	-	-	-
Total Fund Balance	<u>\$ 11,052</u>	<u>\$ 18,229</u>	<u>\$ 25,993</u>	<u>\$ 25,036</u>	<u>\$ 7,034</u>	<u>\$ 5,814</u>
Total Liabilities and Fund Balances	<u>\$ 11,052</u>	<u>\$ 18,229</u>	<u>\$ 25,993</u>	<u>\$ 25,036</u>	<u>\$ 7,034</u>	<u>\$ 5,814</u>

Statement 3

TIF District 1-8	TIF District 1-9	CDAB Revolving Loan	Greenwood Cemetery	Train Canopy	TRF Area K-9	Total (Statement 1)
\$ 162	\$ 216	\$ 1,396,334	\$ 346,763	\$ 35,373	\$ 14,032	\$ 1,884,666
-	-	82,822	-	-	-	82,822
-	-	-	-	-	-	1,372
-	-	1,483	342	30	17	1,872
-	-	15,000	-	-	-	15,000
-	-	586,404	-	-	-	586,404
162	\$ 216	\$ 2,082,043	\$ 347,105	\$ 35,403	\$ 14,049	\$ 2,572,136
-	\$ -	\$ -	\$ 1,356	\$ 416	\$ 54	\$ 1,826
-	-	-	511	-	-	511
-	-	-	74	-	-	74
-	\$ -	\$ -	\$ 1,941	\$ 416	\$ 54	\$ 2,411
\$ -	\$ -	\$ 651,561	\$ -	\$ -	\$ -	\$ 651,561
-	-	1,430,482	-	-	-	1,430,482
162	216	-	-	-	-	93,536
-	-	-	-	-	13,995	13,995
-	-	-	-	34,987	-	34,987
-	-	-	171,513	-	-	171,513
-	-	-	-	-	-	-
-	-	-	173,651	-	-	173,651
162	\$ 216	\$ 2,082,043	\$ 345,164	\$ 34,987	\$ 13,995	\$ 2,569,725
162	\$ 216	\$ 2,082,043	\$ 347,105	\$ 35,403	\$ 14,049	\$ 2,572,136

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	TIF District 1-1	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7	TIF District 1-8
Revenues							
Taxes	\$ 15,041	\$ 10,514	\$ 60,716	\$ 47,183	\$ 30,176	\$ 72,733	\$ 30,202
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-
Gifts and contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	\$ 15,041	\$ 10,514	\$ 60,716	\$ 47,183	\$ 30,176	\$ 72,733	\$ 30,202
Expenditures							
Current							
General government	\$ 3,992	\$ 1,463	\$ 34,758	\$ 22,156	\$ 23,147	\$ 67,019	\$ 30,042
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total Expenditures	\$ 3,992	\$ 1,463	\$ 34,758	\$ 22,156	\$ 23,147	\$ 67,019	\$ 30,042
Excess of Revenues Over (Under) Expenditures	\$ 11,049	\$ 9,051	\$ 25,958	\$ 25,027	\$ 7,029	\$ 5,714	\$ 160
Other Financing Sources (Uses)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 11,049	\$ 9,051	\$ 25,958	\$ 25,027	\$ 7,029	\$ 5,714	\$ 160
Fund Balance - January 1	3	9,178	35	9	5	100	2
Fund Balance - December 31	\$ 11,052	\$ 18,229	\$ 25,993	\$ 25,036	\$ 7,034	\$ 5,814	\$ 162

Statement 4

<u>TIF District 1-9</u>	<u>TIF District 1-10</u>	<u>TIF District 1-11</u>	<u>CDAB Revolving Loan</u>	<u>Greenwood Cemetery</u>	<u>Train Canopy</u>	<u>TRF Area K-9</u>	<u>Total (Statement 2)</u>
\$ 53,353	\$ -	\$ 10,871	\$ -	\$ -	\$ -	\$ -	\$ 330,789
-	-	-	123,143	-	-	-	123,143
-	-	-	-	32,300	-	-	32,300
-	-	-	10,895	2,478	225	135	13,733
-	-	-	-	-	17,807	19,751	37,558
-	-	-	126,853	12,000	-	-	138,853
\$ 53,353	\$ -	\$ 10,871	\$ 260,891	\$ 46,778	\$ 18,032	\$ 19,886	\$ 676,376
\$ 53,145	\$ 114	\$ 10,871	\$ -	\$ 90,687	\$ 416	\$ -	\$ 337,810
-	-	-	-	-	-	10,494	10,494
-	-	-	137,382	-	-	-	137,382
\$ 53,145	\$ 114	\$ 10,871	\$ 137,382	\$ 90,687	\$ 416	\$ 10,494	\$ 485,686
\$ 208	\$ (114)	\$ -	\$ 123,509	\$ (43,909)	\$ 17,616	\$ 9,392	\$ 190,690
\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
-	-	-	(7,000)	-	-	-	(7,000)
\$ -	\$ -	\$ -	\$ (7,000)	\$ 50,000	\$ -	\$ -	\$ 43,000
\$ 208	\$ (114)	\$ -	\$ 116,509	\$ 6,091	\$ 17,616	\$ 9,392	\$ 233,690
8	114	-	1,965,534	339,073	17,371	4,603	2,336,035
\$ 216	\$ -	\$ -	\$ 2,082,043	\$ 345,164	\$ 34,987	\$ 13,995	\$ 2,569,725

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2008</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>State Aid Street Bonds</u>	<u>Improvement Bonds</u>	<u>Improvement Bonds</u>	<u>Improvement Bonds</u>
<u>Assets</u>				
Cash and pooled investments	\$ 33,886	\$ 56,388	\$ 69,631	\$ 35,464
Taxes receivable				
Current	-	-	-	-
Prior	-	-	-	-
Special assessments receivable				
Current	-	-	2,501	-
Prior	-	547	4,024	619
Special assessments receivable - noncurrent	-	80,175	169,306	156,750
Total Assets	<u>\$ 33,886</u>	<u>\$ 137,110</u>	<u>\$ 245,462</u>	<u>\$ 192,833</u>
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Deferred Inflows of Resources				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	80,722	173,330	157,370
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 80,722</u>	<u>\$ 173,330</u>	<u>\$ 157,370</u>
Fund Balances				
Restricted for debt service	\$ 33,886	\$ 56,388	\$ 72,132	\$ 35,463
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 33,886</u>	<u>\$ 137,110</u>	<u>\$ 245,462</u>	<u>\$ 192,833</u>

Statement 5

<u>2013 Greenwood Improvement Bonds</u>	<u>2014 Improvement Bonds</u>	<u>2015 Improvement Bonds</u>	<u>2016 Improvement Bonds</u>	<u>2017 Improvement Bonds</u>	<u>Total (Statement 1)</u>
\$ 755,335	\$ 179,290	\$ 295,868	\$ 96,402	\$ 56,672	\$ 1,578,936
5,767	-	-	-	-	5,767
9,446	-	-	-	-	9,446
1,902	-	906	1,750	-	7,059
3,833	-	1,587	-	-	10,610
-	101,926	306,945	637,638	429,366	1,882,106
\$ 776,283	281,216	605,306	735,790	486,038	\$ 3,493,924
\$ 9,446	-	-	-	-	\$ 9,446
3,833	101,926	308,532	637,638	429,366	1,892,717
\$ 13,279	101,926	308,532	637,638	429,366	\$ 1,902,163
\$ 763,004	179,290	296,774	98,152	56,672	\$ 1,591,761
\$ 776,283	281,216	605,306	735,790	486,038	\$ 3,493,924

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2008 State Aid Street Bonds	2011 Improvement Bonds	2012 Improvement Bonds	2013 Improvement Bonds	2013 Greenwood Improvement Bonds
Revenues					
Taxes	\$ -	\$ 48,000	\$ 41,000	\$ 23,900	\$ 120,779
Special assessments	-	17,623	32,134	22,849	1,918
Intergovernmental	190,737	-	-	-	-
Total Revenues	\$ 190,737	\$ 65,623	\$ 73,134	\$ 46,749	\$ 122,697
Expenditures					
Debt service					
Principal retirement	\$ 180,000	\$ 55,000	\$ 65,000	\$ 35,000	\$ 85,000
Interest	10,737	11,730	9,481	13,137	31,693
Total Expenditures	\$ 190,737	\$ 66,730	\$ 74,481	\$ 48,137	\$ 116,693
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (1,107)	\$ (1,347)	\$ (1,388)	\$ 6,004
Other Financing Sources					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ -	\$ (1,107)	\$ (1,347)	\$ (1,388)	\$ 6,004
Fund Balance - January 1	33,886	57,495	73,479	36,851	757,000
Fund Balance - December 31	\$ 33,886	\$ 56,388	\$ 72,132	\$ 35,463	\$ 763,004

Statement 6

2014	2015	2016	2017	Total
Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds	(Statement 2)
\$ 35,400	\$ 16,300	\$ 37,626	\$ -	\$ 323,005
16,988	65,994	71,773	57,422	286,701
-	-	-	-	190,737
52,388	82,294	109,399	57,422	\$ 800,443
\$ 55,000	\$ 60,000	\$ -	\$ -	\$ 535,000
14,378	13,856	19,458	750	125,220
69,378	73,856	19,458	750	\$ 660,220
\$ (16,990)	\$ 8,438	\$ 89,941	\$ 56,672	\$ 140,223
\$ -	\$ 109,591	\$ -	\$ -	\$ 109,591
(16,990)	118,029	89,941	56,672	\$ 249,814
196,280	178,745	8,211	-	1,341,947
\$ 179,290	\$ 296,774	\$ 98,152	\$ 56,672	\$ 1,591,761

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Revolving Capital Outlay</u>	<u>Swimming Pool</u>	<u>Splash Park</u>	<u>Multi-Events Center</u>
<u>Assets</u>				
Cash and pooled investments	\$ 1,352,635	\$ 242,882	\$ 2,284	\$ 32,456
Special assessments receivable				
Prior	256	-	-	-
Accounts receivable	1,000	-	-	-
Interest receivable	1,281	257	2	32
Due from other funds	285,488	-	-	-
Due from other governments	-	-	-	-
Loans receivable	63,684	-	-	-
Special assessments receivable - noncurrent	21,439	-	-	-
Total Assets	\$ 1,725,783	\$ 243,139	\$ 2,286	\$ 32,488
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources				
Special Assessments	\$ 21,694	\$ -	\$ -	\$ -
Loans	63,684	-	-	-
City State Aid Highway Allotment	-	-	-	-
Total Deferred Inflows of Resources	\$ 85,378	\$ -	\$ -	\$ -
Fund Balances				
Committed for				
Splash Park	\$ -	\$ -	\$ 2,286	\$ -
Swimming Pool	-	243,139	-	-
Assigned for capital projects	1,640,405	-	-	32,488
Unassigned	-	-	-	-
Total Fund Balances	\$ 1,640,405	\$ 243,139	\$ 2,286	\$ 32,488
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,725,783	\$ 243,139	\$ 2,286	\$ 32,488

Statement 7

2015 Street and Utilities	2016 Street and Utilities	2018 Street and Utilities	2018 Maintenance Facility	2018 Highway 1 Improvements	Total (Statement 1)
\$ -	\$ -	\$ -	\$ 955,757	\$ -	\$ 2,586,014
-	-	-	-	-	256
-	-	-	-	-	1,000
-	-	-	-	-	1,572
-	166,000	-	-	-	451,488
10,221	-	-	-	57,789	68,010
-	-	-	-	-	63,684
-	-	-	-	-	21,439
\$ 10,221	\$ 166,000	\$ -	\$ 955,757	\$ 57,789	\$ 3,193,463
\$ -	\$ 5,328	\$ 10,218	\$ 76,538	\$ 1,140	\$ 93,224
-	742,430	37,469	-	7,843	787,742
\$ -	\$ 747,758	\$ 47,687	\$ 76,538	\$ 8,983	\$ 880,966
\$ -	\$ -	\$ -	-	-	\$ 21,694
-	-	-	-	-	63,684
-	-	-	-	57,789	57,789
\$ -	\$ -	\$ -	\$ -	\$ 57,789	\$ 143,167
\$ -	\$ -	\$ -	-	-	\$ 2,286
-	-	-	-	-	243,139
10,221	-	-	879,219	-	2,562,333
-	(581,758)	(47,687)	-	(8,983)	(638,428)
\$ 10,221	\$ (581,758)	\$ (47,687)	\$ 879,219	\$ (8,983)	\$ 2,169,330
\$ 10,221	\$ 166,000	\$ -	\$ 955,757	\$ 57,789	\$ 3,193,463

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Revolving Capital Outlay	Swimming Pool	Splash Park	Multi-Events Center	2015 Street and Utilities
Revenues					
Special assessments	\$ 23,420	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Investment earnings	9,367	1,866	19	232	-
Gifts and contributions	-	-	2,352	-	-
Miscellaneous	78,821	-	-	7,500	-
Total Revenues	\$ 111,608	\$ 1,866	\$ 2,371	\$ 7,732	\$ -
Expenditures					
Current					
Culture and recreation	\$ -	\$ -	\$ 85	\$ 10,032	\$ -
Capital Outlay					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ 85	\$ 10,032	\$ -
Excess of Revenues Over (Under) Expenditures	\$ 111,608	\$ 1,866	\$ 2,286	\$ (2,300)	\$ -
Other Financing Sources					
Transfers in	\$ 215,228	\$ -	\$ -	\$ -	\$ -
Transfers out	(94,250)	-	-	-	(109,591)
Proceeds from issuance of debt	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 120,978	\$ -	\$ -	\$ -	\$ (109,591)
Net Change in Fund Balance	\$ 232,586	\$ 1,866	\$ 2,286	\$ (2,300)	\$ (109,591)
Fund Balance - January 1	1,407,819	241,273	-	34,788	119,812
Fund Balance - December 31	\$ 1,640,405	\$ 243,139	\$ 2,286	\$ 32,488	\$ 10,221

Statement 8

2016 Street and Utilities	2017 Street and Utilities	2018 Street and Utilities	2018 Maintenance Facility	2018 Highway 1 Improvements	Total (Statement 2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,420
-	10,000	-	-	88,804	98,804
-	-	-	-	-	11,484
-	-	-	-	-	2,352
92,351	-	-	400	-	179,072
\$ 92,351	\$ 10,000	\$ -	\$ 400	\$ 88,804	\$ 315,132
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,117
216,134	1,156,821	47,687	-	8,983	1,429,625
-	-	-	489,243	-	489,243
\$ 216,134	\$ 1,156,821	\$ 47,687	\$ 489,243	\$ 8,983	\$ 1,928,985
\$ (123,783)	\$ (1,146,821)	\$ (47,687)	\$ (488,843)	\$ 79,821	\$ (1,613,853)
\$ 88,804	\$ 28,607	\$ -	\$ -	\$ -	\$ 332,639
-	(239,455)	-	-	(88,804)	(532,100)
-	1,369,317	-	-	-	1,369,317
-	-	-	1,368,062	-	1,368,062
\$ 88,804	\$ 1,158,469	\$ -	\$ 1,368,062	\$ (88,804)	\$ 2,537,918
\$ (34,979)	\$ 11,648	\$ (47,687)	\$ 879,219	\$ (8,983)	\$ 924,065
(546,779)	(11,648)	-	-	-	1,245,265
\$ (581,758)	\$ -	\$ (47,687)	\$ 879,219	\$ (8,983)	\$ 2,169,330

OTHER SCHEDULES

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Shared Revenue

State

Fire Relief Association supplemental benefit	\$	2,000
Fire state aid		70,872
Highway users tax		450,318
Local government aid		2,970,836
Market value credit		72
PERA rate reimbursement		21,318
Police state aid		125,960
		125,960

Total Shared Revenue **\$ 3,641,376**

Grants

Local

Northwest Minnesota Foundation	\$	7,000
Local		11,500
		11,500

Total Local Grants **\$ 18,500**

State

Minnesota Department of

Housing Finance Agency	\$	45,000
Peace Officer Standards & Training Board (POST)		5,087
Public Safety		13,038
		13,038

Total State Grants **\$ 63,125**

Federal

Department of		
Housing and Urban Development	\$	78,143
Justice		1,190
Transportation		5,685
Homeland Security		120,263
		120,263

Total Federal Grants **\$ 205,281**

Total Grants **\$ 286,906**

Total Intergovernmental Revenue **\$ 3,928,282**

STATISTICAL SECTION

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

STATISTICAL SECTION

This part of the Government'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.

Contents

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

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

Debt Capacity – These tables present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information – These tables help the reader understand the environment within which the government's financial activities take place.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>
Governmental Activities							
Net Investment in Capital Assets	\$ 22,201,668	\$	22,985,884	\$	23,182,797	\$	22,452,913
Restricted	3,177,016		2,251,266		237,862		582,405
Unrestricted	3,328,476		3,623,457		5,639,102		6,049,790
Total Governmental Activities Net Position	\$ 28,707,160	\$	28,860,607	\$	29,059,761	\$	29,085,108
Business-type Activities							
Net Investment in Capital Assets	\$ 21,818,392	\$	21,166,640	\$	21,614,090	\$	12,740,230
Restricted	-		-		2,864,141		2,811,505
Unrestricted	3,216,452		4,109,502		767,804		1,717,034
Total Business-type Activities Net Position	\$ 25,034,844	\$	25,276,142	\$	25,246,035	\$	17,268,769
Total Government							
Net Investment in Capital Assets	\$ 44,020,060	\$	44,152,524	\$	44,796,887	\$	35,193,143
Restricted	3,177,016		2,251,266		3,102,003		3,393,910
Unrestricted	6,544,928		7,732,959		6,406,906		7,766,824
Total Primary							
Total Net Position	\$ 53,742,004	\$	54,136,749	\$	54,305,796	\$	46,353,877

Table 1

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 24,788,309	\$ 25,501,639	\$ 26,147,458	\$ 28,159,954	\$ 29,313,095	\$ 27,021,598
965,044	1,626,963	2,368,030	1,913,844	1,351,401	3,007,243
4,927,390	5,832,203	5,445,075	2,336,027	2,538,937	2,849,115
<u>\$ 30,680,743</u>	<u>\$ 32,960,805</u>	<u>\$ 33,960,563</u>	<u>\$ 32,409,825</u>	<u>\$ 33,203,433</u>	<u>\$ 32,877,956</u>
\$ 12,553,523	\$ 13,211,323	\$ 13,146,651	\$ 12,139,667	\$ 13,474,842	\$ 12,209,755
-	351,340	332,692	-	-	15,788
4,380,448	4,618,500	5,640,278	5,603,661	5,075,075	7,855,683
<u>\$ 16,933,971</u>	<u>\$ 18,181,163</u>	<u>\$ 19,119,621</u>	<u>\$ 17,743,328</u>	<u>\$ 18,549,917</u>	<u>\$ 20,081,226</u>
\$ 37,341,832	\$ 38,712,962	\$ 39,294,109	\$ 40,299,621	\$ 42,787,937	\$ 39,231,353
965,044	1,978,303	2,700,722	1,913,844	1,351,401	3,023,031
9,307,838	10,450,703	11,085,353	7,939,688	7,614,012	10,704,798
<u>\$ 47,614,714</u>	<u>\$ 51,141,968</u>	<u>\$ 53,080,184</u>	<u>\$ 50,153,153</u>	<u>\$ 51,753,350</u>	<u>\$ 52,959,182</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010¹</u>	<u>2011</u>
EXPENSES				
Governmental Activities:				
General Government	\$ 1,425,166	\$ 1,369,826	\$ 1,428,138	\$ 1,298,280
Public Safety	2,228,669	2,321,143	2,371,514	2,610,266
Highways and Streets	-	-	-	-
Streets and Sanitation	1,547,142	1,281,558	2,062,252	3,011,296
Sanitation	-	-	-	-
Culture and Recreation	2,254,305	2,174,876	2,057,967	2,086,941
Economic Development	387,872	269,582	390,385	740,503
Interest on Long-term Debt	83,272	109,554	82,772	68,469
Total Governmental Activities	\$ 7,926,426	\$ 7,526,539	\$ 8,393,028	\$ 9,815,755
Business-type Activities:				
Liquor Dispensary	\$ 3,592,991	\$ 3,685,485	\$ 3,769,294	\$ 3,815,258
Water Utility	2,012,129	1,963,180	-	-
Electric Utility	8,612,790	9,041,284	9,969,930	11,974,715
Wastewater Utility	691,349	743,671	-	-
Sanitation Utility	739,551	732,457	-	-
Airport	803,438	770,937	732,007	10,279,332
Storm Water Utility	132,386	124,687	137,326	160,472
Water Systems Utility	-	-	2,630,700	2,678,518
Total Business-type Activities	\$ 16,584,634	\$ 17,061,701	\$ 17,239,257	\$ 28,908,295
Total Expenses	\$ 24,511,060	\$ 24,588,240	\$ 25,632,285	\$ 38,724,050
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 171,836	\$ 190,646	\$ 125,944	\$ 160,709
Public Safety	228,100	220,295	231,094	225,001
Highways and Streets	-	-	-	-
Streets and Sanitation	-	-	849,580	934,382
Sanitation	-	-	-	-
Culture and Recreation	868,541	733,787	702,717	772,106
Other Activities	305,170	229,727	81,887	254,005
Operating Grants and Contributions	487,835	405,936	750,955	682,911
Capital Grants and Contributions	2,879,028	689,249	68,983	1,534,845
Total Governmental Activities	\$ 4,940,510	\$ 2,469,640	\$ 2,811,160	\$ 4,563,959
Business-type Activities:				
Charges for Services				
Liquor Dispensary	\$ 3,958,940	\$ 4,054,881	\$ 4,132,681	\$ 4,216,697
Water Utility	1,598,034	1,677,589	-	-
Electric Utility	8,951,395	10,029,879	10,580,571	12,262,023
Wastewater Utility	552,658	545,826	-	-
Sanitation Utility	758,266	762,659	-	-
Airport	162,994	152,711	153,059	8,788

Table 2

2012²	2013	2014	2015³	2016	2017
\$ 1,553,318	\$ 1,546,092	\$ 1,764,593	\$ 2,893,467	\$ 2,524,756	\$ 2,812,715
2,566,561	2,590,016	2,833,677	3,057,716	3,733,004	3,538,649
-	-	-	891,613	1,655,387	2,870,989
2,113,160	4,095,631	2,157,917	-	-	-
-	-	-	886,085	899,489	893,556
2,160,416	2,140,719	2,302,396	2,371,008	2,533,258	2,541,220
217,618	343,884	748,114	355,401	1,247,170	552,079
70,747	67,906	108,831	116,544	130,924	135,566
\$ 8,681,820	\$ 10,784,248	\$ 9,915,528	\$ 10,571,834	\$ 12,723,988	\$ 13,344,774
\$ 4,025,774	\$ 4,078,467	\$ 4,109,374	\$ 4,334,295	\$ 4,235,155	\$ 4,180,895
-	-	-	1,782,408	1,956,647	1,976,273
12,340,507	12,742,804	13,536,511	13,788,039	13,470,384	13,745,213
-	-	-	1,008,694	865,938	831,731
-	-	-	-	-	-
-	-	-	-	-	-
186,722	153,968	135,806	145,947	139,871	180,866
2,536,838	1,451,686	2,519,253	-	-	-
\$ 19,089,841	\$ 18,426,925	\$ 20,300,944	\$ 21,059,383	\$ 20,667,995	\$ 20,914,978
\$ 27,771,661	\$ 29,211,173	\$ 30,216,472	\$ 31,631,217	\$ 33,391,983	\$ 34,259,752
\$ 195,179	\$ 192,050	\$ 186,619	\$ 1,123,364	\$ 506,643	\$ 357,811
380,851	330,204	243,765	183,729	197,948	219,565
-	-	-	298,712	263,101	263,150
859,450	856,378	836,365	-	-	-
-	-	-	843,753	849,254	940,374
754,940	719,603	821,970	875,436	885,270	1,020,599
82,149	86,491	30,696	15,663	37,325	683,000
348,422	560,775	957,805	533,066	516,004	694,399
1,985,021	4,770,645	1,453,943	1,710,253	3,353,913	948,193
\$ 4,606,012	\$ 7,516,146	\$ 4,531,163	\$ 5,583,976	\$ 6,609,458	\$ 5,127,091
\$ 4,482,994	\$ 4,562,505	\$ 4,567,025	\$ 4,687,724	\$ 4,650,648	\$ 4,538,364
-	-	-	2,448,445	2,441,482	2,632,047
12,382,669	13,387,925	14,340,839	14,422,957	14,346,060	14,441,869
-	-	-	682,631	881,655	964,000
-	-	-	-	-	-
-	-	-	-	-	-

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010¹</u>	<u>2011</u>
Storm Water Utility	\$ 154,740	\$ 157,146	\$ 157,835	\$ 156,336
Water Systems Utility	-	-	2,286,949	2,422,943
Operating Grants and Contributions	125,082	140,882	181,061	19,797
Capital Grants and Contributions	-	-	907,743	2,467,050
Total Business-type Activities	\$ 16,099,115	\$ 17,368,862	\$ 18,246,840	\$ 21,544,846
Total Revenues	\$ 21,039,625	\$ 19,838,502	\$ 21,058,000	\$ 26,108,805
Net (Expense) / Revenue				
Governmental Activities	\$ (2,985,916)	\$ (5,056,899)	\$ (5,581,868)	\$ (5,251,796)
Business-type Activities	(485,519)	459,872	1,160,642	(7,355,661)
Total Net (Expense) / Revenue	\$ (3,471,435)	\$ (4,597,027)	\$ (4,421,226)	\$ (12,607,457)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes				
Property Taxes	\$ 1,602,798	\$ 1,571,788	\$ 1,597,409	\$ 1,564,852
Taxes- Lodging	-	-	-	-
Franchise Fees	113,444	115,664	114,454	122,133
Grants not restricted to specific programs	2,460,664	2,951,529	2,646,152	2,649,976
Unrestricted Investment Earnings	268,552	135,425	112,185	151,147
Gain on Sale of Capital Assets	-	35,850	33,201	40,000
Other General Revenue	17,928	131,019	26,985	38,575
Transfers	(250,619)	269,071	1,149,695	710,460
Total Governmental Activities	\$ 4,212,767	\$ 5,210,346	\$ 5,680,081	\$ 5,277,143
Business-type Activities:				
Unrestricted Investment Earnings	\$ 121,026	\$ 50,497	\$ 59,887	\$ 88,855
Other General Revenue	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-
Transfers	250,619	(269,071)	(1,149,695)	(710,460)
Total Business-type Activities	\$ 371,645	\$ (218,574)	\$ (1,089,808)	\$ (621,605)
Total General Revenues	\$ 4,584,412	\$ 4,991,772	\$ 4,590,273	\$ 4,655,538
CHANGE IN NET POSITION				
Governmental Activities	\$ 1,226,851	\$ 153,447	\$ 98,213	\$ 25,347
Business-type Activities	49,120	241,298	70,834	(7,977,266)
Total Change in Net Position	\$ 1,275,971	\$ 394,745	\$ 169,047	\$ (7,951,919)

¹Effective January 1, 2010 the City combined the Water and Wastewater Funds into the Water Systems Fund; and combined the Sanitation Fund into the General Funds's Street Department.

²Effective January 1, 2012 the Airport formed a separate board and transferred activities out of the City.

³Effective January 1, 2015 the City separated the Water and Wastewater Funds into their respective funds; and separated the Sanitation Fund from the Street Department in the General Fund.

Table 2
(Continued)

<u>2012</u> ²	<u>2013</u>	<u>2014</u>	<u>2015</u> ³	<u>2016</u>	<u>2017</u>
\$ 159,061	\$ 157,496	\$ 157,942	\$ 158,244	\$ 163,147	\$ 187,361
2,645,171	2,729,716	3,034,946	-	-	-
-	-	-	-	-	-
-	307,495	141,390	-	3,710	5,544
\$ 19,669,895	\$ 21,145,137	\$ 22,242,142	\$ 22,400,001	\$ 22,486,702	\$ 14,874,596
\$ 24,275,907	\$ 28,661,283	\$ 26,773,305	\$ 27,983,977	\$ 22,486,702	\$ 18,778,223
\$ (4,075,808)	\$ (3,268,102)	\$ (5,384,365)	\$ (4,987,858)	\$ (6,114,530)	\$ (8,217,683)
580,054	1,718,212	1,941,198	1,340,618	1,818,707	1,854,207
\$ (3,495,754)	\$ (1,549,890)	\$ (3,443,167)	\$ (3,647,240)	\$ (4,295,823)	\$ (6,363,476)
\$ 1,750,669	\$ 1,765,186	\$ 1,744,667	\$ 1,811,021	\$ 2,215,619	\$ 2,285,390
-	128,632	136,503	158,506	119,025	118,315
121,140	132,719	133,926	145,082	191,046	211,829
2,630,629	2,630,076	3,102,887	2,969,872	2,984,925	3,002,226
132,939	106,664	128,524	44,284	41,653	38,652
28,700	70,100	29,751	-	-	1,368,062
40,889	216,819	65,365	-	-	-
966,477	497,968	1,042,500	1,141,804	1,114,419	867,731
\$ 5,671,443	\$ 5,548,164	\$ 6,384,123	\$ 6,270,569	\$ 6,666,687	\$ 7,892,205
\$ 51,625	\$ 18,914	\$ 39,760	\$ 24,652	\$ 34,987	\$ 57,846
-	-	-	155	67,314	486,987
-	8,034	-	-	-	-
(966,477)	(497,968)	(1,042,500)	(1,141,804)	(1,114,419)	(867,731)
\$ (914,852)	\$ (471,020)	\$ (1,002,740)	\$ (1,116,997)	\$ (1,012,118)	\$ (322,898)
\$ 4,756,591	\$ 5,077,144	\$ 5,381,383	\$ 5,153,572	\$ 5,654,569	\$ 7,569,307
\$ 1,595,635	\$ 2,280,062	\$ 999,758	\$ 1,282,711	\$ 552,157	\$ (325,478)
(334,798)	1,247,192	938,458	223,621	806,589	1,531,309
\$ 1,260,837	\$ 3,527,254	\$ 1,938,216	\$ 1,506,332	\$ 1,358,746	\$ 1,205,831

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 3

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Property Tax	Lodging Tax	Franchise Tax		Total
			Cable	Gas	
2008	\$ 1,602,798	\$ -	\$ 46,155	\$ 67,289	1,716,242
2009	1,571,788	-	49,957	65,707	1,687,452
2010	1,597,409	-	53,298	61,156	1,711,863
2011	1,564,852	-	55,460	66,673	1,686,985
2012	1,750,669	-	58,204	62,936	1,871,809
2013	1,765,186	128,632	63,300	69,419	2,026,537
2014	1,744,667	136,503	65,676	68,250	2,015,096
2015	1,811,021	158,506	68,799	76,283	2,114,609
2016	2,215,619	119,025	72,421	118,625	2,525,690
2017	2,285,390	118,315	74,617	137,213	2,615,535

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2008	2009	2010	2011
General Fund				
Nonspendable				\$ 3,060
Committed				36,830
Assigned				29,982
Unassigned				1,958,088
Total General Fund				\$ <u>2,027,960</u>
 All Other Governmental Funds				
Nonspendable				\$ -
Restricted				372,362
Committed				2,180,287
Assigned				2,119,781
Unassigned				(4,399)
Total All Other Governmental Funds				\$ <u>4,668,031</u>
 General Fund				
Reserved	\$ 166,642	\$ 165,847	\$ 51,506	
Unreserved	1,175,648	1,525,515	1,715,703	
Total General Fund	\$ <u>1,342,290</u>	\$ <u>1,691,362</u>	\$ <u>1,767,209</u>	
 All Other Governmental Funds				
Reserved	\$ 1,698,297	\$ 1,870,640	\$ 1,687,268	
Unreserved, reported in:				
Special Revenue Funds	2,192,243	2,025,581	2,482,085	
Capital Projects Funds	1,036,590	-	24,243	
Total All Other Governmental Funds	\$ <u>4,927,130</u>	\$ <u>3,896,221</u>	\$ <u>4,193,596</u>	

Table 4

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	184,556	203,984	-
19,504	19,504	86,476	-	-	305,191
2,240,362	2,482,273	2,248,868	2,586,500	2,115,511	1,894,460
<u>\$ 2,259,866</u>	<u>\$ 2,501,777</u>	<u>\$ 2,335,344</u>	<u>\$ 2,771,056</u>	<u>\$ 2,319,495</u>	<u>\$ 2,199,651</u>
\$ -	\$ -	\$ -	\$ 855,689	\$ 751,897	\$ 651,561
500,293	552,261	532,864	678,944	1,351,401	3,115,779
2,214,960	2,238,637	2,247,083	1,407,850	1,400,191	465,920
1,612,559	1,533,202	1,660,730	1,558,649	2,129,173	2,735,984
(744,345)	(3,366)	(322,024)	(815,989)	(714,018)	(638,428)
<u>\$ 3,583,467</u>	<u>\$ 4,320,734</u>	<u>\$ 4,118,653</u>	<u>\$ 3,685,143</u>	<u>\$ 4,918,644</u>	<u>\$ 6,330,816</u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010¹</u>	<u>2011</u>
REVENUES				
Taxes	\$ 1,716,242	\$ 1,687,453	\$ 1,711,863	\$ 1,686,986
Special Assessments	915,244	211,406	136,526	232,315
Licenses and Permits	109,965	101,073	132,423	113,706
Intergovernmental	4,257,263	4,463,938	3,181,709	4,078,810
Charges for Services	1,290,281	1,088,827	1,774,318	1,955,365
Fines and Forfeitures	53,720	44,363	44,848	47,412
Miscellaneous				
Contributions	174,324	124,288	283,540	522,073
Investment Earnings	239,216	121,175	118,035	147,165
Other Receipts	77,493	395,143	19,424	208,959
Total Revenues	\$ 8,833,748	\$ 8,237,666	\$ 7,402,686	\$ 8,992,791
EXPENDITURES				
General Government	\$ 1,190,900	\$ 1,176,110	\$ 1,238,417	\$ 1,323,743
Public Safety	2,137,877	2,187,310	2,247,566	2,347,102
Streets and Sanitation	770,474	827,819	1,499,503	1,533,169
Highways and Streets	-	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	1,720,531	1,664,276	1,564,335	1,654,288
Economic Development	380,925	265,757	382,086	740,808
Other	-	-	-	-
Debt Service				
Principal	502,378	523,264	694,885	341,544
Interest and Fees	77,503	119,261	96,920	71,328
Capital Outlay	2,924,442	2,707,327	488,648	1,914,368
Total Expenditures	\$ 9,705,030	\$ 9,471,124	\$ 8,212,360	\$ 9,926,350
Revenues Over (Under) Expenditures	\$ (871,282)	\$ (1,233,458)	\$ (809,674)	\$ (933,559)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,780,690	\$ 1,251,379	\$ 1,884,671	\$ 1,377,808
Transfers Out	(1,140,334)	(699,758)	(734,976)	(390,063)
Sale of Capital Asset	-	-	33,201	-
Lease/Bond Sale Proceeds	1,619,980	-	-	681,000
Total Other Financing Sources (Uses)	\$ 2,260,336	\$ 551,621	\$ 1,182,896	\$ 1,668,745
Net Change In Fund Balance	\$ 1,389,054	\$ (681,837)	\$ 373,222	\$ 735,186

Debt Service as a percentage of
Noncapital Expenditures

9% 10% 11% 5%

¹Effective January 1, 2010, combined the Water and Wastewater Funds into the Water Systems Fund and combined the Sanitation Fund into the General Fund's Street Department.

²Effective January 1, 2015 the City separated the Water and Wastewater Funds into their respective funds; and separated Sanitation from the Street Department in the General Fund.

Table 5

	2012	2013	2014	2015 ²	2016	2017
\$	1,871,810	\$ 2,026,538	\$ 2,015,096	\$ 2,077,693	\$ 2,503,819	\$ 2,604,417
	229,687	236,376	162,763	345,574	373,940	332,751
	278,985	202,251	109,171	237,660	202,948	120,308
	4,153,368	7,112,388	4,595,548	5,471,607	6,045,997	3,928,282
	1,879,514	1,863,821	1,910,094	2,021,924	2,018,923	2,386,711
	45,163	46,441	53,032	49,664	49,152	67,410
	434,253	47,337	83,301	81,427	74,583	57,306
	122,332	94,154	98,357	37,178	38,071	33,057
	48,981	286,911	56,948	407,120	432,160	473,083
\$	9,064,093	11,916,217	9,084,310	10,729,847	11,739,593	10,003,325
\$	1,487,807	\$ 1,465,606	\$ 1,685,396	\$ 1,648,080	\$ 1,845,977	\$ 1,670,141
	2,424,496	2,475,938	2,690,498	2,811,896	2,955,612	3,122,606
	1,586,731	1,619,869	1,543,829	-	-	-
	-	-	-	751,227	787,971	857,296
	-	-	-	846,276	840,942	852,130
	1,667,713	1,689,873	1,897,125	1,908,649	2,022,756	2,015,255
	207,861	367,004	720,150	353,916	1,245,318	552,079
	-	-	-	10,196	-	-
	351,500	355,000	373,333	395,000	455,000	535,000
	70,728	71,860	91,997	110,190	113,834	125,220
	3,899,757	5,907,945	2,254,945	3,710,883	2,979,316	2,474,276
\$	11,696,593	13,953,095	11,257,273	12,546,313	13,246,726	12,204,003
\$	(2,632,500)	(2,036,878)	(2,172,963)	(1,816,466)	(1,507,133)	(2,200,678)
\$	1,350,412	\$ 1,416,984	\$ 1,510,510	\$ 1,391,581	\$ 2,028,596	\$ 1,772,589
	(383,935)	(433,424)	(413,958)	(367,913)	(1,030,079)	(1,021,565)
	28,700	70,100	29,747	-	-	1,368,062
	784,665	1,962,396	678,150	795,000	1,053,708	1,369,317
\$	1,779,842	3,016,056	1,804,449	1,818,668	2,052,225	3,488,403
\$	(852,658)	979,178	(368,514)	2,202	545,092	1,287,725
	6%	6%	5%	6%	6%	7%

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**ASSESSED TAX CAPACITY AND ESTIMATED MARKET VALUE
OF ALL TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Real Property		Personal Property	
	Assessed Tax Capacity	Estimated Market Value	Assessed Tax Capacity	Estimated Market Value
2008	\$ 3,293,479	\$ 293,021,800	\$ 60,787	\$ 3,303,700
2009	3,541,387	314,974,400	57,686	3,124,300
2010	3,604,785	320,208,800	57,338	3,112,900
2011	3,823,002	329,725,500	57,358	3,051,000
2012	3,353,671	337,303,800	60,739	3,220,100
2013	3,623,535	363,005,300	61,053	3,239,000
2014	3,875,272	382,563,700	61,693	3,311,000
2015	4,101,067	401,131,600	66,133	3,542,600
2016	4,414,145	430,835,900	70,538	3,757,200
2017	4,775,096	460,138,500	81,743	4,301,800

Source: Pennington County Auditor

Table 6

	Total		
	Assessed Tax Capacity	Estimated Market Value	Tax Capacity as a Percentage of Estimated Market Value
\$	3,354,266	\$ 296,325,500	1.13
	3,599,073	318,098,700	1.13
	3,662,123	323,321,700	1.13
	3,880,360	332,776,500	1.17
	3,414,410	340,523,900	1.00
	3,684,588	366,244,300	1.01
	3,936,965	385,874,700	1.02
	4,167,200	404,674,200	1.03
	4,484,683	434,593,100	1.03
	4,856,839	464,440,300	1.05

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 7

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City	Overlapping Rates					Total Direct and Overlapping Rates
		Pennington County	Thief River Falls School District No. 564	Red Lake Watershed District	Northwest Regional Development Commission	Northwest Minnesota Multi-County HRA	
2008	48.935 %	81.276 %	30.044 %	4.821 %	0.321 %	0.352 %	165.749 %
2009	43.967	78.737	27.645	4.996	0.311	0.398	165.749
2010	43.210	75.194	30.047	5.047	0.300	0.368	156.054
2011	40.478	70.787	29.385	5.114	0.026	0.413	154.166
2012	46.041	76.407	42.569	5.872	0.283	0.475	146.203
2013	42.746	72.243	40.336	5.374	0.257	0.401	161.357
2014	39.984	68.366	35.280	5.355	0.242	0.417	149.644
2015	39.254	62.826	30.389	3.854	0.207	0.402	136.530
2016	43.846	58.006	33.243	3.846	0.181	0.408	139.530
2017	42.930	65.737	32.735	3.910	0.192	0.446	145.950

Source: Pennington County Auditor

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 8

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR**

<u>Taxpayer</u>	<u>2017</u>		<u>Percentage of Total Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
DK Real Estate Holdings LLC	\$ 133,830	1	3.21 %
MeritCare Medical Group	126,240	2	3.03
Wal-Mart RE Business Trust	118,596	3	2.85
Arctco	87,340	4	2.10
Sanford Medical Center	69,105	5	1.66
MN Energy Resources Corp	49,750	6	1.19
Riverfalls Estates	36,898	7	0.89
Minnkota Power Co-op	36,812	8	0.88
Valley Markets Inc	35,900	9	0.86
Gershman Properties LLC	34,804	10	0.84
	<u>\$ 729,275</u>		<u>17.51 %</u>

Source: Pennington County Auditor

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 9

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	1,641,922	1,610,911	98.11 %	30,193	1,641,104	99.95 %
2009	1,582,406	1,552,954	98.14 %	28,613	1,581,567	99.95 %
2010	1,582,406	1,556,855	98.39 %	24,311	1,581,166	99.92 %
2011	1,516,778	1,494,773	98.55 %	20,673	1,515,446	99.91 %
2012	1,516,778	1,493,982	98.50 %	20,799	1,514,781	99.87 %
2013	1,516,778	1,499,188	98.84 %	15,730	1,514,918	99.88 %
2014	1,516,778	1,498,293	98.78 %	16,284	1,514,577	99.85 %
2015	1,562,271	1,546,077	98.96 %	12,792	1,558,869	99.78 %
2016	1,874,657	1,850,159	98.69 %	14,893	1,865,052	99.49 %
2017	1,987,106	1,957,116	98.49 %	-	1,957,116	98.49 %

Note: 2010 and 2011 collections includes Market Value Homestead Credit that was cut by the State and not collected in the amount of \$148,377 and \$145,188, respectively

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 10

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Per Capita
	General Obligation Improvement Bonds	Revenue Bonds	Purchase Agreements	Notes Payable	Capital Lease	General Obligation Improvement Bonds	Revenue Bonds		
2008	\$ 815,000	\$ 1,630,000	\$ 548,148	\$ 133,333	\$ 103,044	\$ -	\$ 4,105,825	\$ 7,335,350	\$ 865
2009	630,000	1,465,000	404,884	108,333	98,044	-	4,520,811	7,227,072	848
2010	510,000	1,325,000	-	83,333	93,044	-	7,799,537	9,810,914	1,144
2011	1,075,000	1,180,000	-	58,333	46,500	-	7,751,958	10,111,791	1,178
2012	1,740,000	1,030,000	-	33,333	-	-	5,128,043	7,931,376	918
2013	3,515,000	875,000	-	8,333	-	-	5,992,753	10,391,086	1,203
2014	3,995,000	715,000	-	-	-	1,615,000	5,711,051	12,036,051	1,390
2015	4,565,000	545,000	-	-	-	1,615,000	5,842,892	12,567,892	1,436
2016	5,285,000	370,000	-	-	-	1,460,000	5,708,244	12,823,244	1,463
2017	6,225,000	190,000	-	-	-	3,967,060	8,175,000	18,557,060	2,100

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

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 11

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Improvement Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Market Value¹	Per Capita
2008	\$ 815,000	\$ 214,432	\$ 600,568	0.20%	71
2009	630,000	166,177	463,823	0.15%	54
2010	510,000	155,835	354,165	0.11%	41
2011	1,075,000	343,143	731,857	0.22%	85
2012	1,740,000	446,283	1,293,717	0.36%	148
2013	3,515,000	459,181	3,055,819	0.80%	351
2014	5,610,000	397,693	5,212,307	1.30%	602
2015	6,180,000	413,347	5,766,653	1.25%	659
2016	5,400,000	1,178,612	4,221,388	0.92%	480
2017	6,415,000	1,578,936	4,836,064	1.05%	547

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

¹ See the Schedule of Assessed Tax Capacity and Estimated Market Value of All Taxable Property (Table 7) for property value data.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 12

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2017**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Thief River Falls School District No. 564	\$ 49,864,458	35.40%	\$ 17,652,018
Pennington County	16,941,000	32.34%	<u>5,478,719</u>
Total Overlapping Debt			23,130,738
City of Thief River Falls Direct Debt	18,557,060	100.00%	<u>18,557,060</u>
Total Direct and Overlapping Debt			\$ <u><u>41,687,798</u></u>

Source: Pennington County Auditor

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the school district's and county's taxable assessed value that is within the City's boundaries and dividing it by the school district's and county's total taxable assessed value.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
Debt Limit	\$ 5,926,510	\$ 6,361,986	\$ 6,466,434	\$ 6,655,530	\$
Total Net Debt Applicable to Limit	<u>594,097</u>	<u>420,832</u>	<u>151,377</u>	<u>85,101</u>	
Legal Debt Margin	<u>\$ 5,332,413</u>	<u>\$ 5,941,154</u>	<u>\$ 6,315,057</u>	<u>\$ 6,570,429</u>	\$
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.02%	6.61%	2.34%	1.28%	

Table 13

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
6,810,478	\$ 7,324,886	\$ 7,717,494	\$ 8,093,484	\$ 8,691,862	\$ 9,288,806
<u>25,218</u>	<u>1,393,333</u>	<u>1,385,000</u>	<u>1,310,000</u>	<u>1,230,000</u>	<u>1,145,000</u>
<u>6,785,260</u>	<u>\$ 5,931,553</u>	<u>6,332,494</u>	<u>6,783,484</u>	<u>7,461,862</u>	<u>8,143,806</u>
0.37%	19.02%	17.95%	16.19%	14.15%	12.33%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2016

Assessed Value	\$ 464,440,300
Debt Limit (2% of Total Assessed Value)	\$ 9,288,806
Debt Applicable to Limit:	
General Obligation Debt	\$ 1,145,000
Less: Amount Set aside for Repayment of General Obligation Debt	<u>0</u>
Total Net Debt Applicable to Limit	\$ <u>1,145,000</u>
Legal Debt Margin	\$ <u><u>8,143,806</u></u>

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 14

**PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Water Revenue Bonds²								
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2007	\$ 1,551,545	\$ 1,262,491	\$ 289,054	\$ 170,000	\$ 176,783	0.83		
2008	1,598,034	1,455,979	142,055	175,000	157,660	0.43		
2009	1,677,589	1,412,246	265,343	180,000	141,878	0.82		
2015	2,491,923	1,285,811	1,206,112	425,000	165,800	2.04		
2016	2,449,869	1,388,851	1,061,018	812,000	189,014	1.06		
2017	2,632,047	1,702,712	929,335	563,000	149,367	1.30		

Wastewater Revenue Bonds²								
Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2007	\$ 583,248	\$ 480,054	\$ 103,194	\$ 42,587	\$ 15,741	1.77		
2008	591,727	517,083	74,644	43,784	16,344	1.24		
2009	560,985	563,789	(2,804)	45,014	15,214	(0.05)		
2015	711,448	824,696	(113,248)	53,155	10,914	(1.77)		
2016	888,617	672,090	216,527	64,648	13,838	2.76		
2017	964,000	818,236	145,764	66,184	11,922	1.87		

Water Systems Revenue Bonds¹								
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2010	\$ 2,297,527	\$ 1,819,992	\$ 477,535	\$ 231,278	\$ 226,396	1.04		
2011	2,441,533	1,873,245	568,288	197,104	263,632	1.23		
2012	2,657,974	1,835,487	822,487	313,915	132,250	1.84		
2013	3,042,526	1,827,462	1,215,064	370,290	131,080	2.42		
2014	3,188,208	1,886,836	1,301,372	406,702	155,531	2.31		

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Water and Wastewater charges and other includes investment earnings and special assessments. Operating Expenses do not include interest or depreciation.

¹Effective January 1, 2010 the City combined the Water and Wastewater funds into the Water Systems fund.

²Effective January 1, 2015 the City separated the Water and Wastewater Funds into their respective funds;

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 15

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	City Population¹	Pennington County			Pennington County	
		Personal Income²	Population²	Per Capita Income²	Total Employment³	Unemployment Rate³
2008	8,483	532,000,000	13,694	38,849	7,976	8.4 %
2009	8,522	542,000,000	13,738	39,453	8,610	8.3 %
2010	8,573	578,000,000	13,930	41,493	8,296	8.5 %
2011	8,587	602,008,000	14,018	42,945	8,888	5.9 %
2012	8,636	701,124,000	14,074	49,817	8,931	6.3 %
2013	8,716	718,858,000	14,105	50,918	8,885	5.4 %
2014	8,656	687,761,000	14,058	48,923	8,857	8.2 %
2015	8,752	697,315,000	14,219	49,041	9,099	6.9 %
2016	8,796	697,469,000	14,235	48,997	9,031	5.8 %
2017	8,836	Data Unavailable	14,238	Data Unavailable	9,127	5.6 %

¹ U.S. Census and Minnesota State Demographic Center

² U.S. Department of Commerce Bureau of Economic Analysis

³ MN Department of Employment and Economic Development

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Table 16

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Digi-Key Corporation	3,800	41.63 %	1,978	24.80 %
Arctic Cat, Incorporated	1,500	16.43 %	1,560	19.56 %
Sandford Health - Thief River Falls	600	6.57 %	-	-
Merit Care - Thief River Falls	-	-	552	6.92 %
Seven Clans Casino Hotel & Indoor Waterpark	560	6.14 %	500	6.27 %
Thief River Falls School District No. 564	450	4.93 %	340	4.26 %
Northern Pride, Inc.	180	1.97 %	185	2.32 %
Northland Community & Technical College	150	1.64 %	175	2.19 %
Pennington County	128	1.40 %	126	1.58 %
Dean Foods	92	1.01 %	95	1.19 %
City of Thief River Falls	89	0.98 %	105	1.32 %
	<u>7,549</u>	<u>82.69 %</u>	<u>5,616</u>	<u>70.41 %</u>

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 8

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2015-001

Finding Title: Audit Adjustments

Criteria: Each fund of the City is required to have a self-balancing set of accounts to reflect activity of the fund throughout the year in accordance with GAAP in the City's annual financial statement.

Condition: During our audit, we identified material adjustments in two funds. These adjustments resulted in significant changes to amounts originally reported in the City's financial statements.

Context: City officials are aware that audit adjustments are made to revenues and expenditures, and they rely on the independent external auditors to assist in making the necessary adjustments to the financial statements.

Effect: Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. Balances are correctly reported as of December 31 each year. By definition, however, independent external auditors cannot be considered part of the government's internal control.

Cause: The City uses separate funds to budget and account for items such as capital purchases and insurance payments, and then makes transfers from the appropriate funds as reimbursements. The necessitates journal entries to net out the transactions to eliminate double reporting.

Recommendation: We recommend the City establish internal control procedures for analysis and review of revenue and expenditure classifications and journal entries to ensure these transactions are reported in accordance with GAAP in the City's annual financial statement.

City Administrator's Response: *The City continuously reviews its process for posting transactions in the City's ledgers to increase efficiency.*

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 8
(Continued)

Finding Number: 2016-001

Finding Title: Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal controls over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: Due to the limited number of personnel within the City of Thief River Falls, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Generally, one person is responsible for entering into and balancing the financial system.

Context: The small size and available staffing within the City limits the internal control that management can design and implement into the organization.

Effect: Without adequate segregation of duties, opportunities for errors and irregularities or fraudulent activities to occur are created and may not be detected in a timely manner.

Cause: This is not unusual in operations the size of the City, where, because of staffing limitations, it is impractical to achieve a desirable level of segregation of duties. Management has determined that, given limited resources, it is not feasible to achieve the desired level of segregation of duties.

Recommendation: Management should continually be aware that segregation of duties is not adequate from an internal control point of view. We recommend the City Council be aware that limited staffing causes inherent risks in safeguarding the City's assets and the proper reporting of financial activity. We recommend the City Council continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

**CITY OF THIEF RIVER FALLS
THIEF RIVER FALLS, MINNESOTA**

Schedule 9

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2015-001

Finding Title: Audit Adjustments

Summary of Condition: Each Fund of the City is required to have a self-balancing set of accounts to reflect activity of the fund throughout the year in accordance with GAAP in the City's annual financial statement. During the 2015 and 2016 Audits, material adjustments in two funds were identified, resulting in significant changes to amounts originally reported in the City's financial statements.

Summary of Corrective Action: Management is aware the City should establish internal control procedures for analysis and review of revenue and expenditure classifications and journal entries to ensure these transactions are reported in accordance with GAAP in the City's annual financial statement.

Status: Not fully corrected.

Finding Number: 2016-001

Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action: Management is continually aware that segregation of duties is not adequate from an internal control point of view. The City Council continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

Status: Not fully corrected.

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Knutson, CPA



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**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***

Independent Auditor's Report

City Council
City of Thief River Falls

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thief River Falls as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Thief River Falls' internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency* in internal control over financial *reporting* 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2016-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Thief River Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

City of Thief River Falls Responses to Findings

The City's responses to the findings identified in our audit have been included in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Knutson, PLLC

June 22, 2018